

Alaska Fisherman's Direct Marketing Manual



**Alaska
Department
of Commerce
and Economic
Development**

and

**Alaska
Seafood
Marketing
Institute**

March 1997

Revised January 1997

Alaska Fisherman's Direct Marketing Manual

Prepared for

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Cover Photo: Fisherman Bruce Gore of Triad Fisheries holds up one of his frozen salmon ready for the market.

Forward

Current market conditions and changes in fishery management have made direct marketing increasingly attractive to fishermen. In an effort to respond to this increased interest, the Alaska Department of Commerce and Economic Development organized a cooperative effort to produce a direct marketing manual. Printing costs were paid by the Alaska Seafood Marketing Institute so that this manual could be made available to Alaska fishermen at no charge.

This publication is designed for two purposes: (1) to allow fishermen to better assess the time, capital, risk, and skills required to market their own fish, and (2) to help those choosing to pursue direct marketing develop a blueprint for what they plan to do, how to do it, who can help, and what it takes to succeed.

In hopes of capturing increased profits by processing and marketing its own fish, a fishing operation must assume the roles once performed by someone else. These new roles require very different skills than those required to be successful fishermen; reading the market is a lot different than reading the sea. Or as one distributor put it: "It would be like us trying to cut out fishermen as middlemen and harvesting the fish ourselves to recover more of the profit. We have no idea what the costs of nets and engines are, or the effect of tides on fishing. It would be a very steep learning curve for us." It is hoped this manual will help reduce the pitch of the learning curve for those fishermen choosing to take on the new challenges offered by direct marketing.

This manual was compiled as part of a voluntary effort by people from several state agencies and organizations as well as contributions made by those in the private sector. The assembled team brought different areas of expertise to this project in the hope that this manual will help entrepreneurs in search of new niche markets for Alaska seafood. Good luck!

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Introduction

Terry L. Johnson

“Marketing dead fish can be exciting.”

-- Rick Cavanaugh

Times are changing in the fishing business. Change brings problems and opportunities. Many fishermen these days are responding to changes in their business by getting into direct marketing.

Why direct marketing? Well, for some fishermen, the problem is lower ex-vessel prices, which are eating away the profitability of their business. A well-run direct marketing fishing business can capture more of the value of the fish landed.

Another example of change bringing opportunity is the Individual Fishing Quota (IFQ) management scheme. No longer does a longliner have to plug his boat during a single brief opening; now an operator can fish when weather and market conditions dictate, and can sell those fish in small quantities to whoever offers the best price.

In both cases, direct marketing might be a good approach for a fisherman confronting change in the business.

What is Direct Marketing?

Direct marketing means selling a product directly to a user at a higher point on the distribution chain than the primary processor. Normally, a seafood product flows through a chain something like this: a fisherman sells to a processor, who sells to an importer or regional distributor, who sells to a local wholesaler, who sells to a retailer or food service operator, who sells to the public. A fisherman who does direct marketing might sell directly to the public, or to one of the entities at some intermediate point on the chain, such as the wholesaler or distributor.

Some people call this “getting rid of the middlemen,” but you don’t really get rid of the middlemen; you become the middlemen. You now do the jobs and take the risks that someone else once did, and, hopefully, you get paid those shares of the value of the end product.

A dead fish is a raw material, and its relationship to the retail or restaurant product is something like the relationship of a felled tree in the forest to a finished house, or at least to milled lumber in the lumberyard. The value of the final product is a reflection of the intrinsic value of the raw material, plus the value of the labor, technology, and risk involved in bringing it to the market in a finished form.

Fish is a perishable commodity, subject to wide variation in quality and constantly changing market demand. Therefore, risk is a large part of the value of a finished seafood product. If the product is mishandled, delayed in shipment, or sold during less than optimum market conditions, it can drop in value or become completely worthless. Each entity in the distribution chain assumes some of the risk involved in bringing it to market, and the fisherman who becomes a direct marketer assumes a greater share of the risk, in direct proportion to the greater share of the profits he or she expects to realize.

What Does a Direct Marketer Do?

The first step for the fisherman thinking about going into direct marketing is to decide what kind of operation might best suit him or her. Do you want to sell directly to the public? If so, you become a retailer, and you know that you will spend a lot of your time sitting in a shop or at a road-side stand with a scale and a cash register, meeting your customers face to face.

Don't have time for that? Maybe you want to wholesale your product, delivering to individual restaurants or fish markets. If so, you won't have to sit in your pickup by the side of the road day after day, but you will have to meet a delivery schedule of one or several days a week. Maybe you would rather sell to a wholesaler, and let that person worry about making the sales, delivering the product, and collecting payment.

Obviously, the farther up the distribution chain you choose to work, the greater portion of the total retail value of the product you can keep for yourself, but the more time, complexity, and risk is involved. The only way to avoid some level of additional complexity completely is to sell ex-vessel to your processor and avoid direct marketing altogether.

Says one successful direct marketer: "You have to do everything yourself. You are not eliminating the middleman; you are becoming the middleman. The tasks someone else used to do, are now yours, and these skills are very different from fishing . . . catching fish is the easy part. Turning it into money is the hard part."

A fisherman who wants to take on the challenge of direct marketing must assume several responsibilities:

- Chilling or refrigerating the catch on board or immediately upon getting it to the beach
- Gilling, gutting, sliming, washing, and rechilling for shipment
- Boxing or packaging the product for shipment and delivery
- Owning equipment to transport the product to the point of sale, or arranging shipment, weighing, preparing airbills, arranging transportation, drayage, transfers and final delivery
- Purchasing, shipping and labeling materials, and possibly arranging backhaul of shipping containers
- Collecting payment, dealing with customers who don't pay, complaints, as well as negotiating changes in terms and specifications.

Of course, all that comes after finding the customers, persuading them to buy your product, agreeing on a price or at least a way of determining the price, and securing all the necessary permits and licenses.

Some direct marketers go even farther. Some perform or contract custom secondary processing. They make fillets, steaks, salted, pickled, canned, or smoked products. Some make up fancy packaging and eye-catching retail labels. Some put on promotions, and do in-store cooking demonstrations. Some open retail stores, print mail-order catalogs, design tee-shirts, and print postcards with designs which compliment and promote their fish products. Some start out as direct marketers of the fish they catch themselves, and end up as buyers, processors, brokers; in essence, they become fish companies. The sky is the limit.

Is Direct Marketing for Me?



For some people, direct marketing is an emotional response to what they consider an unjust or worsening situation. "The processors are ripping us off. They're making big bucks on our fish and paying us peanuts. I'm not going to stand for it any more. I'll just sell my own damn fish."

Whatever a fisherman's motivation for considering direct marketing, each fisherman must objectively take stock of his or her own situation. This includes an assessment of personal strengths and weaknesses as a potential direct marketer.

A good fisherman does not necessarily make a good fisheries business person, and a business person is what you are if you do direct marketing.

A southeast Alaska troller, who has successfully marketed his salmon for many years, cautions that it is important to understand why you are going into direct marketing, and where you want to go with the business. “The fish business is always changing,” he says, “and those who are not focused on their goal—and able to change with the business—will not survive.” He cautions that it will take three to five years to secure a niche.

“Ask yourself,” he says, “Why should someone buy from me rather than from someone else? If you can’t answer that question, you should not do it.”

Test yourself by answering these simple questions:

- Am I good at bookkeeping and paperwork?
- How do I feel about being a salesperson, either on the phone or in person?
- Am I good at paying attention to details, or am I better at the big picture?
- Do I need to be paid immediately, or can I wait to collect my money?
- How forceful am I about making people pay, or otherwise do what they have agreed to do?
- Can I stick with one task, week after week, year after year, or do I need frequent change?
- Am I willing to do the extra physical work, and commit the additional time to running a direct marketing operation, or do I want to put the boat away and forget about fishing at the end of each day or each season?
- Is my family supportive of this move, and can they make the adjustments necessary to allow me to commit the necessary additional time and money to the business?


If you feel you are psychologically suited to direct marketing, then take stock of your strengths and weaknesses in the business:

- Is your boat or equipment big enough to properly handle the product?
- Do you have, or have access to, ice or chilling equipment?
- Is there regular, reliable, affordable transportation from your point of landing to the location of your potential customers?
- Is the timing and volume of your catch conducive to taking the time out to handle and transport fish, and to meeting the volume and delivery frequency demands of your customers? (“Remember,” says one direct marketer, “you are dealing with people who use business plans that include growth plans. They need to know you can meet the continuity required of their businesses. This is very difficult with a product that fluctuates in volume and price.”)
- Is the species mix and quality of your catch appropriate for the market?
- Do you have a plan for the roe and for fish which your customers don’t want due to species, size, condition, or other factors?
- Do you have customers already lined up, or do you have a plan for selling your product?
- Do you have available cash for up-front operating expenses and a source of cash flow in case your customers don’t pay, or for some other reason the operation is not immediately profitable?

Cash flow is a big problem for direct marketers. Instead of landing fish and getting paid, you are landing fish and paying money to others. Then, after paying processing, shipping, insurance, packaging, cold storage, and distribution costs, you have to wait 30 to 90 days to get your money, hope that your customers come through with that money, and hope you don’t have a product claim.

“Whoa!” says one direct marketer. “What about your boat and permit and crew and equipment payments . . . how can you make those payments under these conditions? The point is you need to be well-capitalized to market your own fish.”

How Do I Get Started?

 If you are satisfied with your answers to the above questions, you are ready to start planning your new enterprise. And every enterprise should begin with a plan. You need to put down, in writing, what your objective is, how you will operate, how you will keep track of your income and expenses, what you expect in the way of income and expenses, how you expect to grow, and so on. See Chapter 4 of this publication for information on how to write a business plan, and where to get assistance.

Your next step is to draw up a marketing or sales plan and line up those customers. Many fisheries businesses have failed because their owners bought the equipment, hired the help, produced a quality product, and only then tried to find someone to buy it.

Along with knowing who is going to buy your product, you also have to know how much they are willing to pay for it. That means market research. Before you invest very much capital and time into developing this business, you are well advised to study current market trends, understand what factors influence the price fluctuations in your fishery, and make reasonably accurate wholesale and retail price projections for the coming season. Until you have a pretty good idea of how much you will be paid, you have no way of knowing whether the business will be profitable.

Once you're satisfied that you have customers who will pay you a price you can live with, as demonstrated in the pro forma of your business plan, you need to check on all the pertinent laws, regulations, and requirements. Depending on your type of operation, you will probably need at least one business license, you may need a processing facility permit, you may have to post a bond, you may be required to submit fish tickets, and pay various landings taxes. Many a budding small-scale fisheries business has been nipped by state and federal regulations which restricted or prohibited that type of operation.

If you have dealt with all of the above, you are probably ready to deal with financing. Generally speaking, it's hard to borrow money to start up a small-scale fish business for the simple reason that it is a risky business. Money is available, but you must have your ducks in a row. Of course, you can self-finance if you have the money, but remember that you are borrowing from yourself, assuming your own risk, and losing potential income from that money since it could be earning interest income, or being used productively in some other aspect of your business. If you need to borrow, you probably will have to complete financial statements, submit tax records, provide suitable collateral, and jump through other hoops required for business loans. After that, you have a myriad of details to attend to. You need to order packaging materials, reserve transportation space, arrange transfer from boat to airline or other means of conveyance, hire help, look into insurance, modify your boat or equipment, and so forth.

In your "free" time, you will probably be studying market newsletters, reading seafood industry journals, informing yourself on the jargon and procedures of the transportation companies, packaging materials, credit and finance people, and the food industry in general.

All this is the terminology and methods of operation of your new business. As soon as you decide to take your fish anywhere other than to your local tender or processor's dock, you are no longer in the fishing industry. You're now in the seafood industry.

CHAPTER I

A fisherman's guide to seafood distribution

Peter Redmayne, Salmon Market Information Services

One of the biggest complaints buyers have about working directly with fishermen is that too often fishermen do not understand the seafood distribution system and, therefore, are unable to meet the buyers' needs.

The first thing to understand about seafood distribution is that there's an exception to every rule. In some cases, how your fish gets to the consumer is very efficient. But in many cases, it takes a roundabout route from boat to plate, adding substantially to the price a consumer pays.

Selling fish from some Alaska fisheries is relatively uncomplicated, especially in markets where the traditional distribution channel is very defined and easily understood. An example is Japan, which is the largest single market for Alaska seafood.

In Japan

Normally, processors can sell their fish immediately after it's processed to Japanese importers, who may have a freighter waiting to take the fish to Japan. This is a very attractive option for most processors since they get their money right away, so they don't have to pay interest on borrowed money to finance the costs of holding their salmon or other seafood in inventory.

Japanese importers monitor the Alaska salmon fisheries by keeping their technicians on the grounds to inspect quality and watch fishermen's prices. During the salmon season, Japanese importers work closely with their customers—the large wholesalers—to determine how much fish to buy at what price.

Importers sell much of their salmon to government-licensed wholesalers in the various Japanese cities. In Tokyo, for example, seven licensed wholesalers trade at the city's Tsukiji wholesale market. These, in turn, sell the salmon to smaller wholesalers, or to reproducers who fillet the fish, salt it, refreeze it, and sell it to supermarkets that cut it into slices. There are signs Japan's traditional multi-layered distribution channel is breaking down as more buyers go direct, but much of the Alaska salmon pack is still sold this way.

Who makes what in the Japanese distribution chain? It's hard to say because in any given year, there are winners and losers. As a general rule, most salmon importers that sell to wholesalers are happy to make 10 yen/kilo (\$.05/lb.) for their efforts because they sell such large volumes. More importantly, because the debts of the wholesaler are guaranteed by the Japanese government, there is no risk of bad debts. If an importer sells to a smaller distributor that is not licensed by the government, his margins and risks would be higher.

How much do the wholesalers make? "This is very, very unknown," explains a Japanese salmon buyer. The wholesalers and importers probably make as much as they can, depending upon the knowledge and sophistication of their customers. But making a killing is getting harder to do because communications at all levels of the Japanese salmon distribution chain have improved greatly in the past ten years. "There are no secrets anymore," says a Japanese wholesaler. As a result, margins have grown slimmer and market timing has become more of a factor in whether or not selling Alaska salmon is profitable. For many Japanese importers and wholesalers, Alaska salmon has not been profitable in recent years.

By the time they're done filleting, brining, vacuum packing, and refreezing, reproducers say they need about 200 yen/kilo (\$1.10/lb.) for their efforts to make a decent profit. Retailers, the last link in the salmon distribution channel, generally try to mark products up at least 25 percent—a lower markup than U.S. supermarkets, which generally shoot for 40 percent. In spite of their lower markup and higher labor costs, most Japanese supermarkets hit a two to three percent net profit margin—unlike many U.S. supermarkets, which often lose money on their seafood departments.

Fishermen should keep in mind that in recent years the supply and demand fluctuations in the volatile Japanese market, where prices have been rising and falling as much as 200 yen per kilo (\$.95/lb.) in just a few months, has been the most important factor in determining profit and loss along the distribution chain. As a result, in Japan, the cost of your salmon to a consumer has more to do with the market than the markup.

The Japanese distribution system is often criticized for being needlessly complex, but seafood distribution in the U.S. isn't necessarily any simpler.

The American Way

Because their production volume is so large, Alaska processors usually sell their salmon to a variety of buyers in the U.S. at various levels of the distribution chain. The most direct route is to large supermarkets that can order substantial volumes. As supermarkets sell growing amounts of Alaska salmon, this shortened distribution chain is becoming increasingly common. Because they're constantly striving to have the lowest price in their market, many supermarkets try to buy direct and reduce the number of times a fish changes hands whenever possible. This is especially important since most of them need to mark up seafood 30 to 40 percent to cover their costs.

Most supermarkets buy from several processors to make sure they get the fish and to ensure they get the best possible price by playing one supplier against another. To buy direct, a supermarket usually has to be large enough to have its own central warehouse, where fish can be delivered and then distributed to the various stores. It's not as easy as making one call to a local seafood distributor but, as more supermarkets are finding out, it can be the difference between being unprofitable and profitable.

In spite of the increasing pressure to go direct, most Alaska salmon is still sold through seafood distributors. Some seafood distributors specialize in supermarkets, others in foodservice (i.e., restaurants) and some do both.

The Distributor's Role

Although they know who the packers are, many supermarket chains that buy large volumes buy their seafood from a distributor who either delivers the fish directly to the supermarket, or to a central warehouse where it is picked up by the supermarket's trucks. In most cases, this distributor is located in the same geographic area as the supermarket, but that's not always the case. A large chain in Texas, for example, buys its Alaska salmon from a distributor in Southern California. If the price is right, supermarkets that have their own warehouse distribution system will also buy from traders.

Because most restaurants buy relatively small volumes of fish, they usually buy from local seafood distributors. Alaska processors do not have the time or the sales staff to deal with individual restaurants, who may buy only a few hundred pounds a week. Even restaurant operators who have multiple units usually prefer to buy from distributors with whom they have a good working relationship and, hence, a high comfort level. "We have enough problems in the kitchen and with the wait staff," says one restaurant owner. "The last thing we need to do is run around chasing fish."

While restaurants and supermarkets rely on distributors, it's also not unusual for distributors to deal with other distributors. One of the largest single buyers of fresh Alaska salmon, John Nagle & Sons, is a large distributor located in Boston. Nagle, in turn, will sell to other distributors, primarily in Boston and the Northeast. Why would distributors buy Alaska salmon from other distributors instead of buying direct from a processor? Because it can be a lot less hassle.

First, they can be assured that they won't get stuck with poor-quality fish. "If there is a problem," says one Nagle customer, "I know I can just take the fish back. I can't do that if I've bought it from some guy in Alaska." Second, of course, is price. Because he's such a large buyer, processors will sell fish to large distributors like Nagle at substantial discounts because they need to move a lot of fish fast. As a result, distributors can buy from Nagle and still be competitive on price.

"It's amazing the price guys like Nagle can get fish at," says a Seattle salmon trader. "I quote fish in Seattle to a guy on the East Coast and they say they can get it cheaper already delivered in Boston."

David Ptak, Vice President of San Diego's Chesapeake Fish, says, "seafood distribution is a system based on insecurity. Nothing is for sure in the fish business. Nothing. I may buy 5,000 pounds of fish direct at \$1 a pound, but I'll also buy 2,000 pounds locally from a distributor at \$1.25 to keep all my doors open so I won't be out. If I'm out, my customers will find another supplier."

On occasion, the same principle applies to Alaska processors who, if they're short on fish or if they think they can get a good deal, will buy round fish for processing from other processors.

Like everything else about seafood distribution, there are no hard and fast rules on how much a distributor marks up his fish. "Distributors will tell you they need to mark fish up 15 to 25 percent," says a Los Angeles seafood broker, "but that's not attainable these days. There's just too much competition."

A lot of the competition comes from smaller distributors that may have one or two trucks, and less overhead than the larger seafood distributors. To get the business, these smaller distributors have to quote low, which helps establish the market price. "These guys are always \$.25 a pound under me," says Ptak. To keep their customers, larger distributors must provide superior service, and that may mean sending out nearly empty trucks to fill small orders at the last minute, all of which adds to the cost of fish.

While seafood distributors face competition from little guys that chip away relentlessly at their margins, they also face increasing competition from some very big guns, the broadliners.

Broadline distributors, companies like Sysco Food Services of America, Fleming Foods, Kraft Foodservice all sell some frozen seafood including items such as breaded fish portions, salmon and halibut steaks and shrimp along with thousands of other items from plates to pepper, from beef to butter. In the last ten years, many of these distributors have successfully added fresh produce to their lines and they've also taken a stab at fresh fish, with mixed results.

In between the processors, distributors, supermarkets, and restaurant buyers work an extensive network of brokers and traders. Brokers, who represent a processor in a specific geographic territory, have a fairly clearly defined role. Since they work on a commission and never actually own the fish, brokers have very little risk, or "exposure." The size of a broker's commission may vary, but 3 percent of the sales price is a good average. In some cases, a broker may work for a set fee, say \$.05/lb. Brokers also arrange for custom processing to meet specific customer needs, such as for steaked or filleted product.

Traders are more opportunistic. They actually buy and sell fish, although they rarely buy fish until they have a customer for it. And instead of dealing with just one packer, a trader will bounce around from packer to packer in search of the best deal. It's also not at all unusual for traders to buy from other traders. Traders do not have set markup. On fresh salmon, traders aim to make at least \$.10/lb., but from time to time they make as much as \$.20/lb. On large sales of frozen salmon on the other hand, they can get by with \$.05/lb.—or \$2,000 on a 40,000-pound container load.

Traders are flexible and they'll do whatever it takes to make money. Some may fulfill the role of a processor and buy fish directly from fishermen, then have it processed by a custom processor. While traders sometimes act as processors, it's also not unusual for some processors to play the role of trader from time to time and buy and sell other people's product. Processors also may buy fish from traders when they find themselves with customers and no fish.

Why are there so many people in the seafood distribution chain? One reason is that the price of fish is often a moving target. Buyer loyalty, buyer ignorance, volume of sale, product quality, credit terms and a roller coaster supply situation that bounces back and forth from shortage to glut make it very hard to get a precise fix on the price of fish.

Who's Who in the Distribution Chain?

Figuring out who does what in the seafood distribution chain can be confusing. What's the difference between a broker and a trader, a wholesaler and a distributor? Here's a player-by-player guide.

PROCESSORS. This is pretty easy—they're the guys you sell your fish to. They buy your fish and can it, freeze it or ship it out fresh. Secondary processors buy fish from processors (or traders) and add value by either filleting, steaking or producing any number of other value-added products. Custom processors process fish for anybody who will pay them. Most custom processing is done to produce value-added products.

IMPORTERS. They buy fish produced in another country from an exporter (usually a processor or a trader). In most cases, importers pay for frozen fish with a Letter of Credit (LC), which means the exporter gets his money as soon as the fish is shipped. Importers usually pay for fresh fish by a bank transfer after it clears customs at the port of entry. Since they own the fish, importers assume market risk. As a rule, salmon importers will work on a margin of about \$.05/lb., but how much they actually make (or lose) often depends a lot upon what happens to the market during the time between when they buy and sell their fish.

BROKER. An independent salesman or sales organization that represents a processor (or an importer) in a specific geographical market area. Brokers work on a set commission and do not take possession of product, so they have very little risk. The amount of a broker's commission varies, depending upon the level of service and sales volume, but 3 percent of the sales price is typical with salmon, although brokers also often work on a set amount such as \$.05/lb. Brokers may also do some importing and trading on the side. A broker's main customers are distributors, supermarkets, and large restaurant chains.

TRADER. The quintessential middlemen, traders are flexible operators who will deal with almost anyone in the distribution chain. They'll buy from processors, importers, and other traders. They sell to importers, other traders, distributors, supermarkets, large restaurant chains and, on occasion, even processors who are short of product. Traders take possession, but whenever possible sales are "back-to-back"—i.e., they don't actually buy product until they have a customer for it. Traders try and do their deals on the float, which means they pay for the fish after the customer they sell it to pays them. Traders don't have a set margin, so they try to buy as low as possible and sell as high as possible. On large volume sales, a trader may clear as little as a penny a pound. One reason there are so many traders in the fish business is that it costs next to nothing to go into business. A phone, a fax machine, some stationery, and some connections is all it takes!

DISTRIBUTOR. Also called wholesaler and wholesale distributor, these are the companies that actually deliver the seafood to the end users. A distributor can range from a "jobber," who has one or two small trucks, to a "broadliner," who operates fleets of 40-foot trucks with dry, refrigerated and frozen compartments. Distributors will buy from almost everybody in the distribution chain, including other distributors. Because they don't like to take market risk, distributors generally don't import or inventory large quantities of product. Because of increasing competition, there are probably fewer than 40 large seafood distributors still in business in the U.S. with sales in excess of \$20 million. Large seafood distributors like to work on a markup of at least 15 percent. Smaller seafood distributors may have less overhead and often must work on a smaller markup to get the business. Large broadline distributors will work on markups of less than 10 percent. Seafood distributors often specialize in either foodservice or retail business, but many do both.

FOODSERVICE OPERATOR. Foodservice is the term used for restaurants and institutional operators that serve food. Restaurants can range from a single fish and chips stand, to a chain with 800 units across the U.S. and Canada. Institutional operators, also called contract feeders, serve food at corporate cafeterias, schools, prisons, hospitals, entertainment facilities, and the like. Restaurants and institutions normally buy from distributors.

RETAILER. A retailer can range from a supermarket chain that operates 1,500 stores to a single specialty seafood market. The trend among larger retailers that have their own warehouse distribution is to buy more seafood direct from either processors or traders. Smaller chains and seafood markets, though, usually buy most of their fish from local seafood distributors.

CHAPTER 2

Looking for customers in all the right places

Peter Redmayne, Salmon Market Information Service

So now what do you do? How do you go about finding customers?

Let's take a typical American city, say Minneapolis, and see if we can find someone to buy our fish. Before we jump on the phone and start dialing for dollars, let's do some research about our target market first. It'll cost a few bucks, but it could save us plenty.

There are several directories available to the seafood industry which will give us a good idea of who the local seafood buyers are. We also get a Rand-McNally Road Atlas since a lot of these guys are in the suburbs around Minneapolis—places we've never heard of.

We look at the section on Minnesota and what we do see? Only a few dozen listings, so this may not be as hard as we thought. In fact, that's a very important thing to understand. When it comes to seafood—especially fresh fish—there really aren't a lot of players in this game. Most cities are dominated by a couple of large seafood distributors and a handful of smaller guys.

But who's who in the Minneapolis market? Let's try and talk to a local seafood broker first.

The Broker's Beat

We talk to Dave Larson, who has his own small brokerage company.

"A broker's value is he understands his backyard," Larson tells us. "He's always within distance of having a cup of coffee with a buyer."

Larson tells us the Minneapolis market is very well defined. The city is the corporate headquarters of SuperValu, Inc., one of the two largest supermarket distributors in the U.S. SuperValu also owns the local Cub Foods chain, as well as hundreds of other supermarkets around the midwest and western U.S. In addition to Cub, which has about 25 stores in the area, Larson says, there are three other medium-sized chains, Rainbow Foods, Lunds, and Byerlys. And there are scores of independent supermarkets, most of which buy from seafood distributors.

On the foodservice side, Larson tells us there are a few large broadline distributors like Sysco Food Services, Kraft Foodservice, and JP Foodservice. He doesn't advise selling to these types of companies, since seafood is not their primary focus. Most of them don't sell much fresh fish anyway, and the ones that do get theirs from a local seafood distributor. These large broadline distributors do sell a fair amount of frozen fish, but they usually have arrangements with large seafood packers.

Another thing, he says, most broadline distributors normally don't like to inventory product, so you have to have your own inventory in a local cold storage. Broadline distributors buy product by the case, week in and week out, and they expect you to have product there for them all the time.

As far as seafood distributors go, we find there are two large companies, Morey's Fish Co. and American Fish & Seafood Inc. There's also a smaller seafood distributor, Coastal Seafoods, Inc.

Larson is friendly, but he tells us that he doubts any good brokers will be interested in selling our salmon or other seafood. "The better brokers already have an Alaska packer they represent. I don't need to spend my time telling fishermen how the world works. Are they ready to spend \$1,500 to put up a display at a distributor food show? Do they even have a brochure?"

“Supply from fishermen is also inconsistent,” he says. “It seems like every year I get a different fisherman asking me if I can sell 2,000 pounds of coho steaks for him. A fisherman can get in and out of selling fish, I can’t. I need volume and continuity. And since I work on a few pennies a pound, the commission wouldn’t be there working for a fisherman.”

Pretty sobering advice. Larson does add a few encouraging words before we hang up, though. “Tell the fishermen that they should get down to the restaurant and grocery level where they can be seen. If it doesn’t work there, the odds get worse as you go back up the distribution chain.”

The Large Distributor

It’s time to talk to one of the two large seafood distributors in town, and we pick Morey’s Fish Co. They sell fresh and frozen fish throughout Minnesota, the Dakotas, northern Iowa, and western Wisconsin. In addition to distributing fresh and frozen fish, Morey’s produces its own line of smoked seafoods, including a lot of salmon.

Steve Frank tells us he supplies a lot of retailers. They sell to Cub, Lunds, Byerlys, Rainbow, and a lot of independent markets. They also do a lot of foodservice, mostly through broadline distributors. Unlike a broker, Morey’s gets salmon from a variety of Alaska processors. Steve is also quick to give us some advice.

“We’re approached every year and we do some direct business with fishermen, but it’s not easy. A fisherman may end up with a lot of #2s and #3s, but our customers don’t want that fish. You have to have more homes for your fish than just us.”

“There’s more fear when buying fresh fish from fishermen. Will they perform? I have a special running with a retailer who has committed to an ad three weeks in advance. A fisherman calls me up and says there’s been a storm and he couldn’t go fishing. What am I supposed to do now? My neck is on the line, not theirs. There’s an advantage to dealing with a processor who can pull fish from a variety of places,” Steve says.

“Buying frozen salmon from fishermen for their smoking operation also requires them to be more cautious,” adds Greg. “You know where a processor is if you have a quality problem. A fisherman, though, he could be at sea or on vacation.”

Both the Frank brothers tell us there’s a lot more griping about the rising price of seafood these days, especially at the supermarket level. “What’s the price? That’s the first thing buyers ask,” Greg says. “They’re under more and more pressure to deliver a cheaper cost of goods.”

Greg tells us Morey’s will move 40,000 pounds of wild salmon a week during the peak of the summer if the prices are “hot” (i.e., low). “Minneapolis,” he says, “likes redder-fleshed salmon, hence it’s a better market for silvers and reds than it is for chums.” “When it comes to frozen,” Greg says, “Morey’s buys a million pounds of wild salmon a year.”

What advice do the Franks have? “Come on in and chat with us. That’s great. It gives us a better handle on whether we think you can do what you think you can do,” Steve says.

Not surprisingly, the Franks do not recommend selling direct to supermarkets, although they acknowledge some supermarkets will buy direct from fishermen on occasion. They don’t think it does either the fishermen or the distributor any good in the long run. “When somebody quotes a supermarket direct at \$1.95/lb. and we’re at \$2.10/lb., it drives the price of fish down because we’ll compete,” explains Steve. “What have you accomplished then? You just sold fish cheaper. That doesn’t help anybody.”

“It’s better if fishermen come to us first. Then, if we think you have a story to tell—if we think your quality is better—we can both go to a customer and present a united front. We would like to buy from fishermen. If we can help you out, we will. We’re continually looking for opportunity. We love wild fish.”

That sounds pretty encouraging. Morey's is a big buyer in this market and if we work closely with them and show we have the commitment to make direct marketing work, we could move some decent volume here if we're in a high-volume salmon fishery. Still, let's look at some other alternatives.

The High Quality Niche

We call Coastal Seafoods and speak to Tim Lauer, the company's general manager. A former chef, Lauer, says he knows good chefs appreciate the value of superior quality seafood and that's his market niche.

"Coastal," he says, "sells most of the high end, white tablecloth restaurants in Minneapolis." Fresh fish is 95 per cent of the company's business, and almost all 60 of their customers are within 30 minutes of their plant. Unlike Morey's and American, which have sales on the order of \$50 million a year, Coastal sells only about \$2 million worth of seafood a year. In addition to its restaurant business, Coastal operates two seafood retail stores in the Twin Cities. About 70 percent of the company's business, he tells us, is selling to restaurants.

Lauer says he's been offering high quality wild salmon like Copper River kings for as long as he can remember. He also buys Southeast troll kings and some Yakutat sockeyes. During the peak of the summer salmon runs, Lauer says he buys more than 1,000 pounds of wild fish each week. He also buys about 3,000 pounds of farmed fish almost every week of the year. That's about 4,000 pounds of salmon a week—all of it flown in, says Lauer. This spring he was selling farmed fillets (pinbones out) for about \$8/lb., while he was charging restaurants \$9/lb. for Copper River king and sockeye fillets.

Like Morey's, Coastal has done some buying direct from fishermen, including a small group of fishermen from Cordova this spring. Lauer also has some words of advice.

"To interest me," says Lauer, "there has to be some advantage to buying from fishermen, either faster delivery or better quality product. The biggest problem fishermen seem to have is getting fish to me. I need to know when you're going to have it and when you're going to ship it. We're small, so we have the flexibility to buy from fishermen. I'll pay an extra \$.25/lb. for good quality if I'm confident I can get it."

The End Users

Next we decide to try to talk to some people closer to the end of the distribution chain. We call around and decide to try the chef at The Anchorage, which we learn is the largest seafood restaurant in Minneapolis. We also decide to try and talk to Tom Scheirer, the director of seafood operations for Rainbow Foods, one of the local supermarket chains. We leave a lot of messages for Scheirer. Like most supermarket buyers, he's probably very busy running around from store to store. We get a hold of Mike Axtell, the executive chef at The Anchorage, on our first try, however.

"As long as the fishermen have the right licenses, I have no problem buying direct," Axtell tells us. In fact, he says, he's buying Alaska halibut and Copper River salmon directly from some fishermen who use a local person in Minneapolis to pick up their fish at the airport and deliver it. "It adds flair to our menu. It gives us a chance to show off our knowledge to our customers. We tell them a little bit about the fisherman, his boat, and the fishery." Axtell claims he doesn't mind paying a little bit extra when buying from fishermen—as long as he's confident the quality is better.

Axtell also tells us he runs wild salmon only on specials (farmed Atlantics are on his printed menu year-round). During a three-day special this May, he says he went through 40 pounds of Copper River sockeyes. He likes wild fish, but it's clear we'll need a lot of customers like The Anchorage to sell our catch. Also, Axtell says he won't pick fish up at the airport, so we'll have to find somebody to get our fish to him—and that will mean extra work and costs.

After a few days of trying (you have to be persistent when it comes to selling fish), we finally reach Tom Scheirer of Rainbow. He has 33 stores, he says, and, yes, he is very busy since he's also in charge of meat operations. Even though he gets most of his fish through Morey's, he's not against buying directly from fishermen either, although, he says, "Sometimes it works and sometimes it doesn't."

If we can make it work, it sounds like Rainbow can move some fish. Scheirer tells us he'll sell 60,000-100,000 pounds of chums in a week when he runs an ad that features whole fish for \$1.99/lb. or less. But wait a minute, we say, we thought consumers in Minneapolis wouldn't buy chums. "I used to believe that, too," Scheirer says, "I used to say 'there's no way in hell we can sell chums in town.' But I've proved myself wrong."

And that's a lesson we should learn. Don't underestimate the consumer. A lot of people in the seafood distribution chain think they know what consumers want, but that's obviously not always the case.

Scheirer tells us he expects a lot from us if he's going to buy our fish. First, he says he expects to pay less for the fish since he's buying directly from fishermen. He also tells us he won't do airport pickups, although he thinks he could ask his meat distributor to pick up our fish and deliver it to his stores if it's packed in 50-lb. boxes. And since he's very busy, he'll expect us to have some communication directly with the stores to ensure the product arrives to them when it's promised.

If we don't think we can meet those conditions, he suggests we may find it easier to sell to his seafood distributor. At any rate, he says he's always happy to talk to fishermen, regardless of whether or not he thinks he can buy directly from them.

A Strategy Is Born

The way seafood is distributed in Minneapolis is typical of most other American cities. So our strategy for finding buyers in Minneapolis can be used elsewhere as well.

Which customers we want to target, of course, depends on what salmon fishery we're in. If we're in a lower-volume, higher-value salmon fishery like Copper River, Southeast sockeyes or troll fish, for example, a fresh fish distributor that sells to white tablecloth restaurants and higher end retail markets is a good place to start. Based upon the amount of fish they purchase though, it's apparent we'll need to have customers in a number of cities.

But if we're in a higher-volume, lower-value fishery, say Southeast chums, for example, we'd better plan on finding a buyer that can move more volume, which means a larger seafood distributor or supermarket chain.

Should we approach supermarkets and restaurants directly, or should we try and sell to the distributors that sell to them?

There's no easy answer to this question. It depends on the customer. While it's important that the end user (i.e., the supermarket buyer or chef) hears our story and appreciates the extra efforts we take to produce a superior quality wild salmon, we can't expect always to sell them directly.

As we've seen with The Anchorage, most individual restaurants buy small volumes of fish, so it may not pay for us to have a large number of small accounts. It's simply too much work. Nevertheless, it's important that chefs know our story—so they'll ask for our fish—even if they have to buy it from a distributor.

In the case of supermarkets, some chains may want to buy directly from us, while other chains will prefer to buy our fish through a seafood distributor. We need to be flexible and understand the importance of relationships when it comes to buying fish.

Even if they can save an extra dime a pound, most seafood buyers will still stick with their established suppliers. Their comfort level is much higher. As we've learned from our talks in Minneapolis, buyers take on more risk when buying directly from fishermen. That means it's in our interest to work within the system. Later, after we've proven we can perform, we may want to take a closer look at who we sell to and why.

Based upon what we've learned, it might be a good idea to plan a trip to Minneapolis after the season. We'll take some of our best quality frozen salmon along—and show buyers how good it is!

Helping Hands

With a minor investment, you can save time and money in your search to find buyers for your fish. Here are some useful resources. Remember that no directory is perfect and omissions are unavoidable. Use a combination of directories and Yellow Pages to locate potential customers.

SEA FAX DIRECTORY. A detailed listing of seafood buyers big and small, complete with addresses, telephone numbers, and annual sales. Issued once a year by Sea Fax, a credit management agency. Cost: \$135.

Call: 1-800-777-3533

WHO'S WHO IN THE FISH INDUSTRY. Published by Urner Barry Publications, P.O. Box 389, Toms River, NJ 08754-0389. Contains a listing of seafood brokers, distributors, and some retail buyers. Cost: \$85. Urner Barry also publishes Seafood Price Current, a twice weekly listing of wholesale prices from around the U.S., which is useful to see how much fish is selling for. Cost: \$252/yr.

Call: 1-800-932-0617

PROGRESSIVE GROCER'S MARKETING GUIDEBOOK. A comprehensive listing of supermarket chains that have annual sales in excess of \$40 million. Lists seafood buyers (often they're the meat buyer, too). Cost: \$320.

Call: (203) 977-2900

CHAIN RESTAURANT OPERATORS and **HIGH VOLUME INDEPENDENT RESTAURANTS** are two separate restaurant directories from Chain Store Guide Information Services. Contains listings that include names of executive chefs, who normally make the seafood buying decisions. Cost: \$280 each.

Call: (800) 927-9292.

SEAFOOD BUSINESS and **SEAFOOD LEADER** are two trade magazines that would be useful for fishermen who are trying to sell their own fish. They contain stories on distribution and marketing trends and good general insight into seafood marketing. Cost: \$24/yr.

Call: Seafood Business at (207) 594-6222, or Seafood Leader at 1-800-835-2722, extension 236

SEAFOOD SUPPLIER. Published quarterly by Journal Publications, 121 Free Street, P.O. Box 7438, Portland, Maine 04112-7438.

Important weekly newsletters that will help keep you abreast of pricing trends include:

■ **Salmon Market Bulletin**

Free to Alaska permitholders.

Monthly ASMI newsletter which focuses on salmon ex-vessel prices and trends.

A fax-back system provides updated price information.

University of Alaska Anchorage, Salmon Market Information Service

3211 Providence Drive, Anchorage, Alaska 99508

Telephone: (907) 786-7750

■ **Bill Atkinson's Newsletter (BANR)**

Annual Subscription Rate: \$184.

Summaries of Japanese fisheries trade press articles and market reports.

5507 NE 58th Street, Seattle, Washington 98105-2111

Telephone: (206) 525-3235 Fax: (206) 525-3379

■ **Seafood Trend Newsletter**

Annual Subscription Rate: \$220

Reports on supplies, demand, and prices in domestic, Japanese and European markets.

8227 Ashworth Avenue, N. #1, Seattle, Washington 98103-4434

Telephone: (206) 523-2280 Fax: (206) 526-8719

■ **The Weekly Fish Report**

Free at selected distribution points. Individual reports free via fax-back.

Focuses on Japanese and Korean prices, supply and demand.

State of Alaska, Division of Trade and Development

3601 C Street, Suite 700, Anchorage, Alaska 99503

Telephone: (907) 269-8110 Fax: (907) 561-4577

Division of Trade and Development (DTD) offers a fax-back information system using data derived from the Weekly Fish Report research program.

On your Fax machine, dial 908-248-8030 and then enter the document code of the information you want:

- 8110 Latest Japanese Wholesale Market Fish Prices
- 8111 Japanese Seafood Market Trends
- 8112 Latest Korean Wholesale Market Fish Prices
- 8113 Korean Seafood Market Trends
- 8114 DTD Seafood Trade Leads
- 8115 DTD Seafood Trade Notices
- 8116 ASMI Trade Leads
- 8117 International Trade Admin. Trade Leads
- 8118 Various
- 8119 Various

CHAPTER 3

Strategies for direct marketers

Brian Paust, University of Alaska Fairbanks Sea Grant, Marine Advisory Program

Many direct marketing enterprises have sprung up in Alaska's fisheries in the past, some failures and some successes. Experience with both suggests strategies for a start-up direct marketer. The following outline proposes steps toward starting a successful seafood marketing business:

- **Define a target consumer population.** Start with local consumer populations and then branch out into regional population centers. If necessary, review distant domestic and international markets. Develop a list of products in seasonal demand in target area.
- **Compute harvesting and processing costs for your product.** Include all direct and indirect costs.
- **Add transportation, packaging, and other costs.**
- **Establish total business costs for each product.**
- **Compare demands with production costs.** Find out what comparable products are wholesaling for in your target market. If current selling prices exceed your costs, you may have a profitable opportunity.
- **Locate markets.** Focus your effort on specific buyers or groups of consumers in your target area.
- **Develop initial customer contacts.** Find out if buyers are interested in your product at the price you want, and why or why not.
- **Complete a formal business plan.**

It should now be possible to proceed with the enterprise. Usually it is recommended that you begin with a pilot project, not a full scale effort. At this stage of limited development, it is fairly easy to make mid-course corrections and other adjustments.

Important Business Considerations

Be sure to review these problems in your business plan:

- **Credit Control.** Whenever possible, do not sell your product on credit. Arrange to take credit cards, or insist on Irrevocable Letters of Credit if customers don't have cash. If you are convinced that credit is the only option, use a credit service to help you assess the financial status of your prospective customer. "Remember, it's not a sale until the check clears."
- **Cost Control.** Know all aspects of your operation, including how to control cost. The business must be simplified to its basic elements to maintain costs at a level which allows a margin of profit.
- **Risks and Risk Control.** Investigate all areas of risk, and solutions to various identified forms of risk.
- **Market Volatility Analysis.** Carefully consider the problem of market fluctuations and the development of appropriate business strategies. When should you actively engage in the business of direct marketing? Typically, only if it is possible to realize a differential of approximately \$1.00/pound (ex-vessel round product equivalent) above the posted ex-vessel value of the product. Anything less than this represents a marginal undertaking because of the extra costs and risks associated with direct marketing.
- **Geographical Familiarity.** Locate suitable markets for seafood products and determine how to efficiently transport your products. It is important to know the geography of the region, including the available transport infrastructure present in the area.

- **Insurance.** Most seafood products have only a very limited product liability exposure, but processed seafoods (including smoked and vacuum bagged), canned fish, and certain bivalve products have the potential for product liability problems. Also consider insurance on facilities and on product being held or shipped.
- **Permitting Requirements.** Alaska Department of Environmental Conservation (DEC) regulations impose permitting requirements on direct marketers who do some level of processing to their fish prior to sale. Additional requirements from other agencies may also apply depending on your operation. See Chapter 5 on permits and licenses.
- **Familiarity with Labeling Laws and Other Administrative Requirements.** Direct marketers may have to furnish nutritional information about their product or products, as well as meet other state requirements which are outlined in the Department of Environmental Conservation's Fish Inspection Regulations.
- **Understanding HACCP If Necessary.** Seafood processors soon will be required to file and adhere to a plan under the Hazard Analysis and Critical Control Point system, otherwise known as HACCP (or "hassup"). This system requires processors to monitor and control critical points occurring during the initial handling and processing of food products that can affect the wholesomeness of the consumer-ready product. See Chapter 6 on quality considerations.
- **Provisions for Future Growth.** Plan for your business growth and also for your clients' growth.
- **Accessibility.** The prospective direct marketer needs to remain accessible to customers and resource managers. Fortunately, new means of telecommunications are now improving access, as are developing electronic communications media.
- **Quick Response to Customer Schedules and Specifications.** If you are going to keep 'em, you will need to please 'em.
- **Consistency.** Be consistent in terms of product quality, delivery timing, and price.
- **Promotion and Market Diversification.** Prospective marketers pursuing more aggressive projects will need an expanded promotional effort. Expanded advertising and listings may be necessary.
- **Project Simplicity.** The basic reality to be remembered is that your time is not unlimited. The KIS (Keep It Simple) principle must be followed. Project complexity increases the probability of many types of risk, and makes business capital more difficult to acquire.
- **Capitalization.** Prospective marketers should not proceed with a business plan for which adequate capital is not available.

Summary



The major causes of failure in this industry include the following:

- the lack of adequate business planning;
- the lack of adequate business capital;
- do it all yourself is never a good strategy; fatigue has driven more than a few people from this business;
- inadequate attention to marketing requirements, including quality specifications;
- lack of business discipline;
- the failure to objectively review risk exposure; and
- the failure to make effective use of available resources. Remember, if you run into trouble, ask for help. Plenty is available.

CHAPTER 4

Business planning

Stephen Street, Alaska Business Development Center

A business plan is more than just a tool to get a loan; it is the written blueprint for what you are going to do, how you are going to do it, who is going to help you, and why you are doing it.

Every potential business owner needs a business plan. Who will you sell to? How will you get your products to your buyer? These are the essential questions to ask and answer as you begin to consider direct marketing of your fish.

Why Write a Business Plan?

When you have completed your written plan, you will have a document you can refer to as a guide for your business operations. This plan will change as you obtain new information, or as markets change. For a business plan to be most useful, it should change as your business changes. The plan should be reviewed at least annually to be certain that the business owner and the business plan are still moving in the same direction.

This document will also be necessary should you seek financing. A lender requires a business plan so that they know exactly what you are planning.

A written plan is also a good way of communicating to others what you intend to do. Success in business depends on communication with your customers and others who assist in producing and delivering your product to the market. During the early stages of the undertaking, the written plan may be used to seek advice from knowledgeable persons to solve problems and refine the proposed operations. The plan or pieces of it can be used as a sales tool once the business actually starts. An example of the table of contents of an actual business is included at the end of this chapter. References are also provided to secure more detailed information, including actual business plans.

Who Must Develop and Write the Plan?

The person best qualified to answer the questions raised in the business planning process is you, the entrepreneur. While it is possible to hire someone to write a business plan, these plans have little value for guiding the business owner. A plan written by a consultant may help in obtaining financing, but only you know what you want to do and how you plan to do it.

Assistance in developing your plan is available from several sources within Alaska (see the list at the end of this chapter) and planning guides are available at most book stores. Consultants, and state or university advisors with experience in or knowledge of your industry, can be invaluable sources of business and market information. These sources should be used as you develop your plan, but not to actually write it.

Your plan should be as easy as possible for a banker, investor, or buyer to follow. This means that your plan should conform to a standard outline for a business plan such as follows. Feel free, of course, to add important information about your business which is not listed on the outline.

BUSINESS PLAN OUTLINE - Section I

- **Cover Sheet:** Name of Business
Names of Principals (Owners)
Address
Telephone Number of Business
- **Statement of Purpose:** Describe the purpose or goal of submitting your business plan. For example, if you are seeking a loan, this is the place to say how much money you want and how you will use it.

I. THE BUSINESS

- A. **Description of Business.** What will you do, or sell? State the form of your business: sole proprietorship, partnership, or corporation.
- B. **Market.** To whom, or in what communities you are going to sell now and in the future.
- C. **Competition.** Who else is doing what you are going to do and how you are different.
- D. **Location of Business.**
- E. **Management.** Your qualifications to run this business.
- F. **Personnel.** Who works for you and what are their qualifications.
- G. **Application and Expected Effect of Loan.** What will you use the borrowed money to buy? If you are using the plan as a part of a loan application, this is important.
- H. **Summary.** Tie all the aspects of the Business Plan together.

II. FINANCIAL DATA

- A. **Sources and Applications of Funds.** Where you got your start-up money and what you will use it for.
- B. **Capital Equipment List.** What you have, or need to buy in order to begin operations. What each item is worth or will cost.
- C. **Balance Sheet.** A snapshot of the financial condition of a business at one point in time. Shows assets and liabilities.
- D. **Break-Even Analysis.** The income level at which all company expenses are met, including all fixed and operating expenses, as well as the cost of the product sold. (Calculated by multiplying projected price by anticipated volume, minus expenses.)
- E. **Income Projections** (Profit and Loss Statements).
 - 1. Three-year annual summary
 - 2. Detail by month for first year of operation
 - 3. Detail by quarter for second and third years

BUSINESS PLAN OUTLINE - Section I (Continued)

4. Notes of explanation: Explain any aspect which may be confusing to an outsider. Do monthly and quarterly projections even if it is a seasonal business. Simply enter zeros for those periods when there is no income or expense.

F. **Pro-Forma Cash Flow.** Cash flow shows how the money will or does flow through your business on a monthly basis. In a seasonal business, there may be several months with no income or expenses at all, but remember that you may incur legitimate business expenses even during periods of the year when you are not producing or selling product. A cash-flow analysis breaks down your income and expenses by month and shows you and others how the business is, or will be doing. A cash flow statement is necessary because in the fishing industry, the timing of income and expenses is often out of synch; large expenses frequently occur before income from the sale of fish is received. A cash-flow statement identifies the timing and amount of anticipated income and expenses, and the timing and amount of anticipated borrowing and payback:

1. Detail by month for first year
2. Detail by quarter for second and third years
3. Notes of explanation: Explain any aspect which may be confusing to an outsider.

G. **Deviation Analysis.** Shows the difference between expenses and budgets for existing business.

H. **Financial Reports for Existing Business.**

1. Balance sheets for past three years
2. Income statements for past three years
3. Tax Returns: If this is a new business, show tax returns for your related businesses, or for your personal income

III. SUPPORTING DOCUMENTS

Personal resumés for management and personnel, business owners' personal financial requirements and statements, cost of living budget, credit reports, letters of reference, job descriptions, letters of intent, copies of leases, contracts, legal documents, and anything else relevant to the plan.

You should be as specific as possible when planning and writing your business plan. Your goal should be to clearly convey information about your business to anyone who reads your plan. More information is only better if it adds to a person's knowledge of your business. The business plan needs to be complete, accurate, and easy to read. It should cover all the topics described above, but should not be so long as to discourage the reader.

THE BUSINESS PLAN - Section 2

TABLE OF CONTENTS

I. EXECUTIVE SUMMARY

Summarizes major points/findings of the business plan sections below.

II. DESCRIPTION OF BUSINESS

- A. **Business Concept.** Type of business (merchandising, manufacturing, service), status (start-up, expansion, or takeover), business form (sole proprietorship, partnership, corporation).
- B. **Product/Service Description.** Proposed new product or service, manufacturing process.
- C. **Key Production Factors.** Raw materials, utilities, transportation, labor availability, environmental and safety considerations, technical and/or equipment requirements.
- D. **Location and Physical Facilities.** Regional, local, and site-specific location; description of existing or proposed facilities.
- E. **Status of Current Operations (for expanding business).** Existing products, current financial status (revenues, profits) employment statistics.

(NOTE: In this section use graphic and/or photographic illustrations whenever possible and as appropriate to communicate more effectively the nature of your business.)

III. MARKET ANALYSIS

- A. **Market Description.** Key market determinants (price, quality, on-time delivery); local, regional, or national; private and/or public sector.
- B. **General Market Trends.** Overall economic activity (local, regional), product, or service specific market trends.
- C. **Competition.** Competing facilities or businesses (size, location, revenue), basis for competing (e.g., better quality, price, service).
- D. **Market Strategy.** Specific activities that will be undertaken and what these activities will be expected to achieve.
- E. **Market Projections.** Realistic market share and revenue projections, based on "A," "B," "C," and "D" above (in turn, these become the basis for financial statements described below).

IV. ORGANIZATION AND MANAGEMENT

- A. **Form of Organization.** Corporation, Partnership, Sole Proprietorship, Joint Venture (including ownership, legal, and financial implications).
- B. **Management Plan.** Management requirements (senior and middle management) for various project phases (e.g., pre-operation and construction, start-up, operating, key personnel; applicable organization chart(s); contractual arrangements).
- C. **Training Plan.** Applicable, especially if new business and involves several new employees.

THE BUSINESS PLAN - Section 2 (Continued)

V. FINANCIAL ANALYSIS

A. **Project Budget (Application of Funding).** By project phase, as applicable (i.e., project organization/product development, design and construction, start-up, operating).

B. **Structure of Financing (Sources of Funding).**

- Equity - cash, in-kind, grants, syndication proceeds.
- Debt - working capital, long-term debt.

NOTE: In each case, describe the source and/or terms of financing.

C. **Financial Statements.**

- Key Assumptions - e.g., production costs, product pricing, production volumes, inflation factor, etc.
- Summary Statements - monthly for Year 1, annually or quarterly for Years 2 and 3, except as noted; also include notes of explanation as necessary:
 1. One time start-up expenses for the new business expansion
 2. Income Projections (Profit and Loss Statements)
 3. Pro Forma Cash Flow
 4. Balance Sheets (beginning Years 1, 2, and 3)
 5. Measures of Performance - Growth rate of revenue and profits, payback period, return on equity, and on total investment
- Deviation and Sensitivity Analysis (as appropriate).
- Financial Reports - For existing business, provide income statements, balance sheets, and cash flow statements for past two years.

VI. IMPLEMENTATION PLAN

- Description of Plan and Time Schedule

APPENDICES

- Supporting Documents - Pertinent technical specifications, letters of intent, copies of leases, contracts, legal documents, personal resumes, job descriptions, personal financial statements, credit reports, letters of reference, environmental approvals and/or waivers, and anything else of relevance to the business plan.

Included here is the Table of Contents of the business plan of a successful small value-added fish processing company. Because this company is in its fourth year and has established a reputation, it chose to compose its most recent annual business plan in bullet form with the exception of the Executive Overview which provides an historical and projected growth overview.

TABLE OF CONTENTS

1. Executive Overview (5 pages)
2. Mission/Values Statement (1 page)
3. S.W.O.T. (Strength, Weaknesses, Opportunity, & Threats) Analysis (2 pages)
4. Critical Issues (1 page)
5. Objectives (Financial) (1 page)
6. Strategies & Action Plans
 - Marketing (2.5 pages)
 - Sales (1 page)
 - Research & Development (1 page)
 - Manufacturing (3 pages)
 - Administration (1 page)
7. Appendices (about 1 page each)
 - 1996 Income Statement
 - 1996 Balance Sheet
 - 1996 Cash Flow Analysis
 - 1996 Departmental Budgets
 - 1996 Capital Plan
 - 1996 to 1999 Income Statement
 - 1996 to 1999 Balance Sheet
 - 1996 to 1999 Cash Flow Analysis
 - 1996 to 1999 Sales Budget
 - Financial History
 - Organizational Chart
 - Cost of Goods Sold (COGS) Overview

Where To Obtain Financing

State and federal governments offer a variety of loan programs for small businesses. In addition to those offered to any small business, some target Alaska Natives, veterans, women, and other minorities. Business owners can learn about these programs from the sources listed below.

Commercial banks which serve the area in which you fish are the traditional source of small business financing and are a good place to begin your search for capital. Contact your commercial bank to describe your plan before you make a formal application. The banker will provide helpful feedback about your business and the environment in which it will operate. This is an important contact to develop, not only for initial funding, but also for the continuing relationship successful businesses enjoy with their banker. Many business owners get started without commercial financing by borrowing from friends and relatives. Only after their business is operating and they are comfortable that they can repay a loan do they seek bank financing.

Business Planning Assistance

■ Alaska Business Development Center 1-800-478-3474

ABDC is a private, nonprofit corporation which serves businesses around the state. ABDC employs consultants who are experts in fisheries, credit, business planning, and problem resolution. ABDC is under contract to the state to provide fishermen and/or small processors with free or sliding scale consulting services.

■ Alaska Regional Development Organizations (ARDORs) Department of Community and Regional Affairs (907) 465-4500

ARDORs are nonprofit organizations located in many regions of Alaska. Assistance available depends upon the structure of each organization. Many ARDORs offer business planning assistance, workshops, and referrals to others who can assist you. Appendix A contains a list of ARDOR office locations around the state.

■ Alaska Department Commerce and Economic Development Division of Trade and Development (907) 465-2017

The Division of Trade and Development has economic sector and general business development specialists who can offer small business assistance. The division also produces a book titled "Establishing a Business in Alaska," which is available for a \$4.00 charge.

Write or call: Bill Paulick
Division of Trade and Development
State Office Building, 9th Floor
P.O. Box 110804, Juneau, Alaska 99811-0804
Telephone: (907) 465-2017

■ University of Alaska Small Business Development Center

The University of Alaska Small Business Development Center has offices in several locations around the state, and offers small business planning assistance and the Small Business Planning Guide. It is available to the public for a \$7.00 charge.

Write to: University of Alaska Anchorage
Small Business Development Center
430 West 7th Avenue, Suite 110, Anchorage, Alaska 99501
Telephone: 1-800-478-7232 or (907) 274-7232

■ The Bureau of Indian Affairs (BIA)

The Credit and Finance Office of the BIA offers business assistance and referrals for Alaska Native-owned and controlled new and expanding businesses. The Bureau contracts with numerous tribes and regional nonprofits to provide credit and finance services.

For more information contact: Charles Katasse, Area Credit Officer
P.O. Box 25520, Juneau, Alaska 99802
Telephone: (907) 586-7103

■ University of Alaska Marine Advisory Program

The Marine Advisory Program has a marine business specialist on staff, and has publications written for commercial fishermen on preparation of financial statements, and on borrowing alternatives and completing loan applications. Marine Advisory Program (MAP) agents are also located in many coastal communities, including Petersburg, Homer, Dillingham, Cordova, Sitka, Bethel, and Kodiak. Three MAP agents helped produce this marketing manual.

Marine Advisory Program
Carlton Trust Building, #110
2221 E. Northern Lights Boulevard, Anchorage, Alaska 99508-4140
Telephone: (907) 274-9691

CHAPTER 5

Permits, licenses, reports, bonds, and taxes

Brian Paust & Terry Johnson, University of Alaska Sea Grant, Marine Advisory Program

Once you do anything with a fish other than deliver it to a tender or processor's dock, you are in the food business, and food is a highly regulated industry. Direct marketers are required to comply with a number of license, tax, inspection, and reporting requirements depending on the precise nature of their operation.

The first step in determining which requirements pertain to you is to carefully define your business. The Department of Fish and Game codes fisheries businesses as follows:

(C) Catcher-Processor	Catches, processes, and sells own fish
(S) Shorebased Processor	Buys and processes fish onshore
(F) Floating Processor	Buys and processes at sea
(M) Market	Food store, meat or fish market, etc.
(R) Restaurant	Prepares and sells food
(B) Company Buyer	Buys from fishermen for a processor
(I) Independent Buyer	Buys to sell to processors
(E) Catcher-Exporter	Catches, sells own unprocessed fish out of state
(X) Catcher and Seller to Unlicensed Buyers	Commercial fishermen who sell fresh unprocessed product to the public

Of course, your operation can fall into more than one of these categories. Depending on your operation, this can become a complex effort. Consultants who specialize in providing assistance in securing these permits, licenses, bonds, etc., can generally be located in trade publication advertisements or the Marine Yellow Pages under “brokers” and “consultants.”

In this chapter, each reference to “fish” applies also to “shellfish” and other “fishery products,” including roe, milt, edible kelps, etc.

Permits and Bonds

Whether or not you need a processor's permit, you are sure to need one or more permits or licenses to operate. Some, but not all, of these documents have associated fees which must be paid prior to receipt of the permit or license. Remember which of the above business classes your operation is in to determine which of these you need.

Certain kinds of operators are required to be bonded to ensure that fishermen or employees get paid, that taxes are paid, or that there is compensation available in the event of sale of an unwholesome seafood product. In some cases, the applicant can post Alaska property of equivalent value in lieu of a bond, providing that the property is paid for and no liens are registered against it.

To secure appropriate permits and bonds, it is important to do so in the correct order because some will require evidence of licenses or permits already secured. The addresses and phone numbers of the permitting, licensing and bonding agencies are listed at the end of this chapter.

■ Alaska Department of Environmental Conservation (DEC)

It is important to begin working with the DEC as soon as possible so that you clearly understand your regulatory requirements and associated costs of compliance. So the first stop in securing permits should always be the Alaska Department of Environmental Conservation (DEC). Not only will evidence of these permits be required later in the process, but these require the most detailed information sometimes including design plans, wiring and plumbing schematics and surface cover descriptions.

DEC Fish Inspection Regulations (18 AAC 34) require establishments or vessels that process fisheries products for transportation or sale as articles of commerce intended for human consumption to obtain an annual seafood processing permit. (A permit application is included as Appendix B.)

DEC regulations define processing criteria. If the activity you're doing falls into those categories, you'll need a processing permit. Basically, an activity that modifies the physical condition of a fisheries product, including butchering, canning, cooking, dehydrating, freezing, pickling, salting, shucking, or smoking is processing. However, decapitating shrimp, heading and gutting groundfish except halibut, or gilling and gutting fish on the fishing grounds to maintain quality are NOT processing. A seafood processor's permit or direct marketing fishing vessel permit is required to process seafood products.

DEC may require other permits or approved plans prior to issuing processing or direct market vessel permits, depending on the type of operation. Possible requirements may include the following:

- Plan Review and Approval of Sewage or Sewage Treatment Works
- Wastewater Disposal Permit
- Plan Review and Approval of Public Water Systems
- Food Service Permit
- Air Quality Control Permit to Operate
- Solid Waste Management Permit
- National Pollutant Discharge Elimination System Permit from Environmental Protection Agency (EPA)

Most of these requirements do not pertain to simple direct marketing or processing operations aboard small (under 65 feet) catcher-processors. Some requirements do pertain, however, such as the requirement for disinfecting processing water on board a processing vessel, which has to be detailed as part of the processing permit application. It is your responsibility to ascertain which requirements apply to you and to comply if necessary.

A direct market fishing vessel permit may be applied for if the vessel is less than 65 feet in length, catches its own fish, and limits its processing to butchering and freezing fisheries products on board. Application may require floor plans and facility construction information. Review time is generally 30 to 90 days, depending on the season of the year, with January

through May the busiest. Annual seafood processing permit fees are based on the type and amounts of processing being permitted. Fees are:

Land based <5000 lbs./day	\$125	Land based >5000 lbs./day	\$325
Cannery <5000 lbs./day	\$175	Cannery >5000 lbs./day	\$325
Vessel <65 ft.	\$100	Vessel >65 ft.	\$200
Shellfish harvester	\$25	Shellfish shipper	\$25
Shellfish repacker	\$50	Shellfish packer	\$100

Keep in mind that agencies revise their regulations and fees from time to time. DEC is planning a fairly comprehensive revision to its regulations in 1996. Contact the agency to find out if there are changes which affect you and request a copy of the new regulations.

There are also new federal processing regulations called Hazard Analysis and Critical Control Points (HACCP) system. Federal HACCP regulations were announced at the end of 1995 for implementation during 1996-97. They require each processor to file a plan with the Food and Drug Administration which identifies the critical points in the processing cycle where contamination could occur and which specifies how contamination will be prevented. DEC will include HACCP inspections as part of their regular seafood processing facility inspections. If you are planning to become a processor, now is the time to familiarize yourself with the requirements. If you plan to export to the European Union, you now need the HACCP plan. There is no training requirement under the new regulations, but if you want to be fully informed, take the three-day course developed by the Seafood HACCP Alliance. Contact the Marine Advisory Program for information on the training course, and the Federal Food and Drug Administration or your local DEC office for details on the HACCP program.

■ Alaska Department of Commerce and Economic Development

Your second stop should be DCED where business licences are secured.

- Alaska Business License (Division of Occupational Licensing, Business Licensing Section) is required for fisheries-related activities, such as selling fish boxes, gel ice, etc., or selling services such as tendering, consulting, etc. Fee is \$50 and processing time is two to three days from receipt of application.
- Certification of Measuring/Weighing Devices (Division of Measurement Standards). Scales used to weigh fish for sale must be checked by the division annually and must bear an inspection sticker. Fee is based on the capacity of the scales. An inspector from the Division comes annually to inspect scales, free of charge.
- Certificate of Authority (Division of Banking, Securities and Corporations). This certificate is required for out-of-state corporations to become registered Alaskan corporations. However, most fishermen do not choose to incorporate. The fee is \$365.

■ **Alaska Department of Revenue**
Income and Excise Audit Division

- Fisheries Business License is required of a person, firm, or corporation which processes fish in Alaska, or exports unprocessed product from Alaska for processing. Fishermen who do not process and who sell only within Alaska do not need this license. Fee is \$25 and processing time is about three days.
- Fisheries Business Tax Bond is required of persons or companies which process fish in Alaska, or export unprocessed fish from Alaska. The bond must be in an amount double the estimated fish taxes for the year. A cash prepayment, letter of credit, or time certificate of deposit may be used in lieu of bond, and lienable real property in Alaska can be used, but must be valued at triple the estimated tax obligation. While securing the bonds may be time consuming unless cash or certificates of deposit are used, processing time at the Department of Revenue is less than a week.
- Primary Fish Buyer/Processor Surety Bond is required to cover employee wages and payments to fishermen. There are two kinds of surety bonds. One is for operations that process more than 30,000 lbs. annually and requires a \$10,000 bond. The other is for operations that process less than 30,000 lbs. annually and costs \$2,000. Since insurers are reluctant to provide bonds to new operations, the most common practice is to purchase a time certificate of deposit in lieu of bond.
- Bond for Exporting Salmon in the Round in the amount of \$50,000 is required of any person or company which exports whole salmon from Alaska. This includes fishermen who export unprocessed salmon out of the state for sale elsewhere.

■ **Alaska Department of Fish and Game**

- Intent to Operate is a permit issued by the Alaska Department of Fish and Game (ADFG) (on receipt of a completed application) to:
 - a. the first purchaser of unprocessed fish (including shellfish) regardless of intent to process
 - b. fishermen who process their catch
 - c. fishermen who export their unprocessed catch from Alaska

The Intent to Operate is free, but ADFG will not issue the permit until it has been assured by the Department of Revenue that you have met the requirements for surety bond and tax prepayment, and you have obtained a Fishery Business License from the Department of Revenue. Processing time depends on how quickly you complete your other paperwork. Recipient of an Intent to Operate must also obtain fish tickets and must file an annual report with ADFG.

- Fish Tickets are free on request, must be completed for each landing of fish, and must be submitted to the department at least once a week by:
 - a. the first purchaser of unprocessed fish;
 - b. fishermen who process their catch;
 - c. fishermen who export their catch from Alaska;
 - d. fishermen who sell their unprocessed catch to buyers who are not licensed processors; or

- e. the operator of a fishing vessel whose port of landing is in the U.S. outside Alaska, or who sells or transfers fish in the Exclusive Economic Zone, three to 200 miles from shore.

The holder of fish tickets must obtain number code plates and a stamping machine, or make other provisions for imprinting the tickets at the time of the landing of the fish. It is illegal to prestamp fish tickets. Fish tickets come in books of 50.

- Commercial Operators Report comes free as part of your fish ticket package, and must be completed and filed with ADFG by April following each season by each holder of an Intent to Operate permit.
- Catcher-Seller Permit is required of fishermen who catch and sell unprocessed fish to unlicensed buyers. Processing time is about three days. This is the permit which is most suitable for many direct marketers who are not processors and who do not sell to licensed fish processors. The applicant has to meet Department of Revenue bonding requirements, and have the appropriate Business License or Fishery Business License as well as meeting fish ticket requirements.

■ National Marine Fisheries Service

If you are marketing halibut or blackcod, now managed under the IFQ system, you will be subject to the Registered Buyer reporting requirements of the National Marine Fisheries Service's (NMFS) Restricted Access Management (RAM) Division. If you are marketing bycatch of groundfish caught during your IFQ fishery, you must also secure a federal fisheries and/or processing permit. These permits are required of all groundfish fishing and processing outside the three-mile state limit. Contact the Juneau office to be sure you understand the reporting required for each landing, purchase, and sale of fish.

Taxes

As a direct marketer you are required to remit taxes to the Department of Revenue, Income and Excise Audit Division, based on the raw material or ex-vessel value of the product.

- Fisheries Business Tax (Raw Fish Tax) must be paid on all fish and fisheries products. If you are a fisherman marketing your own product or exporting it out of the state, it is your responsibility to pay this tax. Estimated tax must be prepaid prior to operation. The tax rate varies in accordance with the type of processor, and the species processed or sold.

Rates are:	Floating processor (including catcher/processor)	5.0%
	Shore-based processor	3.0%
	Canned Salmon	4.5%
	Shore plant, developing species	1.0%
	Floating processor, developing species	3.0%

Check with the Department of Revenue for a current list of developing species.

- Landing Tax is paid on fisheries products caught and/or processed outside Alaska state waters (three-mile limit) and landed or transferred in Alaska or within state waters. The assessment rate is 3.3 percent (3 percent tax plus .3 percent ASMI assessment) of the unprocessed value. This new tax is being adjudicated in court and current changes in the law are being proposed in the legislature so it is important that you communicate with the Department of Revenue on the most recent requirements of this law.

- Salmon Enhancement Tax is paid by fishermen where regional aquaculture associations exist. The tax is 2-3 percent depending on the region's self assessment. It is up to the processor to collect this tax from fishermen and remit it to the state.
- Seafood Marketing Assessment is paid by processors handling more than \$50,000 worth of product annually. Processors pay .3 percent of the ex-vessel value of all seafood processed. This marketing assessment is used to fund the activities of the Alaska Seafood Marketing Institute (ASMI). It is up to the processor to collect this tax from fishermen and remit it to the state.
- Salmon Marketing Assessment is paid by salmon permit holders. Permit holders pay 1 percent of the ex-vessel value of salmon landed. This marketing assessment is used to fund the salmon marketing activities of ASMI. It is up to the processor (or direct marketer) to collect this tax from fishermen and remit it to the state.

Other Legal Considerations

Processors may encounter various requirements for permits pertaining to waste and wastewater discharge, as well as pertaining to water sources, kitchen facilities, etc. Check with DEC on these.

Fishing vessel crew members in many respects are not considered employees and skippers are exempt from some employer requirements, including withholding taxes and unemployment insurance, as long as crew members are paid strictly on a share basis. But workers who are paid by the hour, day, or on piece work are employees and fall under all the regulations pertaining to employment under state and federal law. Be sure to check with the appropriate authorities, including the IRS and the Alaska Department of Labor, for copies of the pertinent regulations and instructions for ensuring compliance with requirements for withholding income tax, providing worker's compensation coverage, etc. Remember that employers must file W-2s for employees and 1099s for crew members and for workers who perform services such as welding and mechanical repair. The Alaska Department of Labor will have the complete picture for complying with state law.

Custom Processing

Custom processing is a processing service provided for a fee by a licensed processor who does not own the product. This is an attractive alternative for fishermen marketing their own product but who do not wish to engage in the actual processing of the fish. By having your product custom processed, you also avoid the costs and paperwork required of a licensed processor. However, you must still obtain some licenses from the state because you are an Alaska business.

DEPARTMENT OF ENVIRONMENTAL CONSERVATION (DEC)

Requirements for fishermen who have their fish custom processed include the following:

- Processing permits are not required if the custom processor is already a DEC licensed operator. However, the seafood product must be packaged before leaving the processing plant. The product must be labeled using the processor's DEC approved label which will include the plant's permit number. The processing plant assumes responsibility for the wholesomeness of the product and the conditions under which it was processed and packaged.

- If the fisherman chooses to pack the seafood product in a master carton rather than having it done at the plant, the master carton must have affixed or stamped on it, the label information of the licensed processor. If the fishermen wishes to have his or her label also included on the box or other container, a labeling agreement between the processor and the fishermen must be submitted to DEC. This is to insure that the product is properly labeled.

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT (DCED)

Requirements for fishermen who have their fish custom processed include the following:

- An Alaska Business License (in lieu of a Fisheries Business License at the Department of Revenue) is a simple alternative that can be utilized by direct marketers who sell product but do not process it.
- If a direct marketer is packing the seafood in a master carton on some other container that requires it to be weighed, certification of measuring and or weighing devices at DCED's Division of Measurement Standards is also required.

DEPARTMENT OF REVENUE (DOR)

Requirements for fishermen who have their fish custom processed include the following:

- A Fisheries Business License is not required if the direct marketer secures an agreement with the custom processor to pay the fisheries business tax to the state as part of the custom processing agreement. However, an Alaska Business License from DCED (see above) is required in lieu of the Fisheries Business License.
- If the custom processor agrees to pay the tax as part of the agreement, a Fisheries Business Tax Bond is not required.
- If the fishermen is only selling fish caught aboard his or her vessel, and is having it custom processed, a Primary Fish Buyer/Processor Surety Bond is not required. However, if fish is being purchased from additional vessels, even if custom processed, a surety bond is required.

DEPARTMENT OF FISH AND GAME (DF&G)

Requirements for fishermen who have their fish custom processed include the following:

- An Intent to Operate permit is still required.
- A Commercial Operators Report must still be filed with ADF&G, however, only a very small portion of the 23-page report is directed at those who have their seafood custom processed. Basically, you will be notifying ADF&G which company custom processed your seafood.

Two useful guides for start-up fisheries businesses are:

ESTABLISHING A BUSINESS IN ALASKA

Published by:

Department of Commerce and
Economic Development
Division of Trade and Development
Anchorage: (907) 269-8100
Fairbanks: (907) 452-7464
Juneau: (907) 465-2017

ALASKA EMPLOYER HANDBOOK

Published by:

The Department of Labor
Division of Employment Security
1111 W. 8th Street, Suite 208
P.O. Box 25509
Juneau, Alaska 99802-5509
Telephone: (907) 465-2712

FORMS, PERMITS & LICENSES FOR SMALL SEAFOOD OPERATORS

For a handy summary of the above
requirements, request a copy from:

Marine Advisory Program
Carlton Trust Building, #110
2221 E. Northern Lights Blvd.
Anchorage, Alaska 99508-4140
Telephone: (907) 274-9691

Following is a list of the agencies mentioned above.

Alaska Department of Commerce and Economic Development (DCED)

Division of Occupational Licensing
Business Licensing Section
State Office Building
P.O. Box 110806
Juneau, Alaska 99811-0806
Telephone: (907) 465-2534
Occupational Licensing
(907) 465-2550
Business Licensing
Fax: (907) 465-2974

Division of Banking, Securities and
Corporations
State Office Building
P.O. Box 110807
Juneau, Alaska 99811-0807
Telephone: (907) 465-2530
Fax: (907) 465-3257

Division of Measurement Standards
Section of Weight and Measures
12050 Industry Way, Building O
Anchorage, Alaska 99515
Telephone: (907) 345-7750
Fax: (907) 345-6835

Alaska Department of Fish and Game (ADF&G)

Commercial Fisheries Management &
Development Division
Fisheries Coordination Section
P.O. Box 25526
Juneau, Alaska 99802-5526
Telephone: (907) 465-4150 or 465-4210
Fax: (907) 465-2604

Alaska Department of Revenue (DOR)

Income and Excise Audit Division
P.O. Box 110420
Juneau, Alaska 99811-0420
Telephone: (907) 465-4683 or 465-2371
Fax: (907) 465-2375

Alaska Department of Labor (DOL)

Division of Labor Standards & Safety
P.O. Box 107021
Anchorage, Alaska 99510
Telephone: (907) 269-4914
Fax: (907) 269-4915
P.O. Box 21149
Juneau, Alaska 99802
Telephone: (907) 465-6002 or 465-3584

Alaska Department of Environmental Conservation (DEC)

Division of Environmental Health, Seafood Section
555 Cordova Street
Anchorage, AK 99501
Telephone: (907) 269-7501
Fax: (907) 269-7510

Statewide DEC Offices:

Juneau	(907) 465-5280	Fax: (907) 465-5292
Ketchikan	(907) 225-6200	Fax: (907) 225-0620
Sitka	(907) 747-8614	Fax: (907) 747-7419
Anchorage	(907) 269-7500	Fax: (907) 349-4715
Cordova	(907) 424-5585	Fax: (907) 424-4386
Dutch Harbor	(907) 581-1681	Fax: (907) 581-1795
King Salmon	(907) 246-6636	
Kodiak	(907) 486-3350	Fax: (907) 486-5032
Palmer	(907) 745-3236	Fax: (907) 745-8125
Soldotna	(907) 262-5210	Fax: (907) 262-2294
Fairbanks	(907) 451-2360	Fax: (907) 451-2188
Nome	(907) 443-3286	Fax: (907) 443-3151

National Marine Fisheries Service

Restricted Access Management Division
P.O. Box 21668
Juneau, Alaska 99802
Telephone: 1-800-304-4846
Fax: (907) 586-7354

CHAPTER 6

Quality considerations for the direct marketer

Kevin O'Sullivan, Alaska Seafood Marketing Institute

Brian Paust, University of Alaska Sea Grant, Marine Advisory Program

Having made it through the regulatory version of Dungeons and Dragons, your next major challenge is to bring a consistent, top quality product to the market. Anything less, and it's back to signing fish tickets.

What constitutes top quality? Quality is defined as *what the buyer considers desirable in a product; characteristics that make eating the product an enjoyable experience*. Characteristics of quality seafood products include: appearance, flavor, odor, color, texture, and *freshness*.

As direct marketers, you no doubt have already taken the necessary steps to assure that your product is free of bruises, comes from a clean holding system, and is rapidly chilled. Most of the potential fish quality problems can be avoided if you follow the maxim: “*Keep it clean, keep it cold, keep it moving*.” If you have questions about this, you should refer to such publications as the ASMI Salmon Quality Almanac, or to John Doyle's Care and Handling of Salmon: The Key to Quality. They are available from the Alaska Seafood Marketing Institute (ASMI) and the Marine Advisory Program. Both addresses are included at the end of this chapter.

Your next challenge is to assure the last condition: freshness. Freshness is a function of time and temperature control. It is an important quality factor, whether yours is a frozen or unfrozen product. Freshness, the consistent freshness that customers seek out, will make the sale every time.

Shelf Life: Quality and Quality Loss

Fish are highly perishable because their flesh is an ideal medium for bacterial growth, and it has a soft muscle structure that can easily be damaged. Because they are so perishable, fish are acceptable as food for a limited period, known as shelf life.

The shelf life for most fish varies between 10 and 14 days if the fish are properly chilled and carefully handled (Table 1). If the product is abused, shelf life is shortened dramatically.

Shelf life is determined by the initial product quality and the handling it receives from the fisherman to the consumer. Quality is best when the fish is harvested, and declines at variable rates. Frequently, the practical shelf life is less than the ideal shelf life.

Quality is lost and shelf life is shortened in many ways, including poor handling at capture or inadequate temperature control during processing. Quality loss is caused by bacterial spoilage, enzyme activity, physical damage, dehydration, chemical reactions, and contamination.

Table 1. Ideal shelf life of fresh seafood stored at 32 degrees F.

Product	Shelf Life (Days)
High fat fish (herring, salmon, sablefish)	10
Low fat fish (cod, halibut, pollock, rockfish)	14
Shellfish (crab, mussels, scallops, shrimp)	5

Causes of Quality Loss in Fish

Bacteria. Bacteria grow easily on fish, digesting its flesh, and producing acids that destroy texture and quality. Too many bacteria result in spoilage. Bacteria are most active at temperatures between 40 degrees F and 140 degrees F. The higher the temperature within this range, the faster the growth rate of bacteria.

Enzyme activity. While fish are alive, digestive enzymes are contained inside the digestive tract. After death, these enzymes can break down the gut walls and consume the fish flesh, causing unwanted texture changes. Bellyburn is the result. Enzymes are most active at temperatures greater than 40 degrees F and enzyme activity increases in direct proportion to temperature.

Physical damage. Rough handling causes soft flesh and bruising. Lifting fish by the tail breaks blood vessels along the spine, causing internal bruising. The delicate muscle structure is easily destroyed by dropping, squeezing, or stepping on fish.

Exposure to air. Dehydration is the loss of moisture from the surface, or flesh of the fish due to inadequate wrapping or glazing. Dehydration causes the flesh to toughen and discolor. “Freezer burn” refers to dehydration, or to oxidation of fat due to inadequately protecting the meat from exposure to air. Oxidation causes rancidity, which develops when body fats react with oxygen, causing objectionable odors and flavors.

Contamination. Contamination of fresh fish with substances such as fuel, dirt, and cleaning chemicals usually will taint the flesh.

Quality loss due to bacterial spoilage, enzyme activity, chemical reactions, and dehydration depends on time and temperature. The lower the product temperature, the longer its shelf life if properly wrapped.

When planning fresh fish shipments, remember that everyone in the handling chain, including the wholesaler and retailer, needs sufficient shelf life to sell the product. It may take a few hours or days to get the fish to the consumer and the consumer needs some shelf life so the product will be edible after purchase.

If it takes two days to get a salmon to a retailer, if the retailer needs four days to sell the salmon, and if the consumer wants a few days before using it, eight or nine days shelf life are needed. Understanding the demands of the marketplace and setting up a proper delivery and shipping system will help assure quality and shelf life. Said one marketer: “Don’t be cheap, use an insulated box.”

Seafood Specifications

As a direct marketer, you’ll need to understand where the buyer is coming from on quality. This usually means having an understanding of product specifications. This is an area where you should work closely with your customer so that each of you understands the other’s needs.

From the buyer’s point of view, specifications are the key to effective purchasing. Specifications are detailed descriptions of the parts of a whole. The buyer usually will tell you what he needs and you, the seller, have to meet this need. Written specifications help communicate this point and make it easier to supply your customer with what he wants every time. Let your product set the standard on which the buyer then bases his specifications.

Consider developing two sets of specifications: a simple set and a complex set. This simple set of specifications can be “organoleptic,” or sensory-based. That is, use such things as your nose to smell the product, your eyes to check its appearance, touch to assess firmness, and so on. The complex set of specifications define acceptance level and very precise product attributes ranging from style to labeling.

The following list of commonly asked questions about seafood specifications was developed by Tim Kean, seafood and bakery merchandiser with Pay Less Supermarkets, in Anderson, Indiana:

- **Why have them?** To effectively communicate between the seller and the buyer what you have and what they want.
- **Who needs to know them?** The buyer, each person who handles the product in the distribution chain, and each person in the seafood department. You should communicate your seafood specifications to all your customers.
- **Where should they be located?** In an accessible book, file, or computer where the product is changing hands.
- **Can they be followed?** They should be an active document; written with as tight a tolerance as you can have and as loose a tolerance as you can accept without compromising your standards.
- **How are specifications used on a daily basis?** When selling, it is important to communicate specifications to buyers as orders are being discussed.
- **How do I write them?** Everyone should be able to write their own specifications. Remember to keep them clear and easy to read. Here's what to include: Species name, product forms, packs, appearance, defects, description of aroma. You can get as detailed as necessary: tolerance levels, portion sizes, temperature, and so on. ASMI has examples of recommended specifications for Alaska salmon. (See Appendix F for ASMI salmon specifications.) ASMI also produces an Alaska Seafood Buyers Guide which is a very useful reference document for both you and your customers, especially in the identification of species.

Without a basic understanding of what specifications you have in place, your buyers will be playing guessing games as to what they will receive. Without a mutually agreed upon set of specifications, you could be left wondering if the deal can go through. Additional time will be spent over the telephone and fax, discussing differences between what the buyer asked for and what you thought he wanted. Customers are then on a roller coaster ride from one purchase to the next, never quite knowing if what they ordered will be what it was the time before. This being the case, don't expect them to pay a return visit to buy.

Through the Eyes of a Buyer

Key considerations of a buyer to determine whether seafood defects are major or minor include the following:

- **Appearance.** This refers to the overall general appearance of the fish, including consistency of flesh, odor, eyes, gills, and skin. A minor defect is one only slightly noticeable; a major one is very conspicuous.
- **Discoloration.** This refers to any color not characteristic of the species. A minor defect is a discoloration involving up to 10 percent of the total area. A major defect is a discoloration of significant intensity involving between 10 and 50 percent of the total area. ASMI has color charts for salmon skin and flesh. These are very useful for purposes such as discussing specifications with customers.
- **Physical defects.** These include ragged, torn or loose fins, and bruises or damaged portions of fish muscle that are red and opaque in appearance. A minor defect affects 3 to 10 percent of the total area; a major defect affects more than 10 percent of the total area.

■ **Cutting and trimming defects.** If you are going to deliver a primary or secondary processed product, you'll need to be aware of this. There are three categories that can be evaluated independently:

- Body cavity cuts - misplaced cuts made during evisceration. Their presence is a minor defect.
- Improper washing - inadequate removal of blood and bits of guts from the surface of the body cavity. A minor defect if only a small amount of blood or viscera is present.
- Improper heading - the presence of pieces of gills, gill cover, pectoral fins or collarbones, and ragged cuts after heading. This is a minor defect if scarcely noticeable, but a major defect if noticeable.

Alaska's fish continue to be prized for their exceptional flavor and outstanding nutritional value. As you embark on doing your own marketing, it is crucial that you keep in mind who your competition is and what they are saying about their product (and inferring about yours). You will hear a lot about their products being consistently fresh and consistently meeting the needs of the marketplace at a price that can't be beat. That is why from the time you land your catch until you have made the sale, strict attention to quality will affect the choices the customer makes in selecting a great food for their family.

For more information on quality specifications, contact:

ASMI

1111 West 8th Street, Room 100
Juneau, Alaska 99801
Telephone: (907) 465-5560

Marine Advisory Program

Carlton Trust Building, #110
2221 E. Northern Lights Blvd.
Anchorage, Alaska 99508-4140
Telephone: (907) 274-9691

CHAPTER 7

Packaging and shipping

Brian Paust, University of Alaska Sea Grant, Marine Advisory Program

While West Coast suppliers use trucks, most Alaskans operating a fresh fish business must use air freight to ship the product to market. The carrier plays an important role and, in many cases, airline shipping and handling can determine success or failure for the small processor and direct marketer. A good working relationship between the processor and airline is essential to assure delivery of a high quality product.

Proper Packaging

Proper packaging is necessary to maintain fish quality. Packaging protects the fish from physical damage and temperature abuse. It must also prevent drips. Many different types of cartons are available. Most small-scale fish shipments are still done in wax-impregnated “wetlock” cartons, but there is a trend toward use of boxes made of, or insulated with styrofoam. (A brief description of packaging requirements are included in Appendix C.)

The shipper should consult the airline company for specific requirements. The following general packing procedures are recommended:

1. **Use a proper size box for the product being shipped.** Check with your shippers along the entire route for their box-weight limits. Some allow weights of up to 100 lbs., but the trend is to smaller, more manageable boxes. It is important that the box is easy to handle yet provides adequate space for both the product and the gel, or dry ice packs. In most cases, boxes of 80 lbs. capacity or less are most suitable. Larger boxes are more difficult to handle and easier to abuse. Most air carriers require that wetlock boxes have gusseted corners. The box should have at least three staples per corner to maintain strength. Do not use strapping tape in place of staples.
2. **Use plastic liners to protect against leaks.** Air carriers require a minimum of 4 mils of plastic in the box. The common approach is to use two 2-mil liners. Precautions must be taken to prevent punctures of the liners.
3. **Chill the product to 32 degrees F before boxing.** To protect product quality, it is important to maintain proper temperatures. Prechilling can be accomplished using slush ice or Chilled Sea Water (CSW), refrigerated vans, or cold storage. Advantages and disadvantages of some of the popular methods are discussed in Appendix D. Some carriers will ship products in dry ice, but many will not, so check with your shippers. Likewise, some shippers will not carry product in wet ice.
4. **Fish must be packed carefully.** The visual quality of the product is important. Fish should be placed flat and straight so they look natural. The box should fit the fish rather than making the fish fit the box. In some cases, skin-to-skin contact can cause product discoloration. Some markets require separation of product by plastic sheets or sleeves to prevent discoloration. Be certain to question your client concerning product specifications.
5. **Use gel packs or dry ice to protect the product from outside heat.** Placement of the packs is critical to maintain the temperature inside the box. Most shippers recommend using gel packs on the bottom and top of the product to intercept heat. Extra protection can be provided by placing gel packs in the center of the fish and along the sides of the box. Gel packs must be completely frozen and leak free. A leaky gel pack will taint the product. If there is a question about the integrity of the pack, throw it away. Use two 1.5-lb. packs in a 50-lb. box or four 1.5-lb. packs in an 80-lb. box.

6. **Securely tie the plastic liners to prevent leakage if the box is tipped.** Wrap and twist the liner, and close with a heavy rubber band. Airlines frequently conduct “tip tests” to determine whether containers are properly packed and sealed. Shipments that fail this test are usually returned to the processor for repacking. Wrappers on live shipments may be only folded over.
7. **Use strong plastic or metal strapping to secure the box.** Plastic strapping should be sealed using metal clips rather than friction welds. At the very least, use two straps. Extra protection is provided by lengthwise strapping. Don’t use filament tape since it can fail during handling.
8. **All boxes should identify the product, shipper, and receiver, and should carry a warning to keep the carton chilled.** Some shippers also include handling sheets for new customers and specific information on the shipment, such as area caught and gear type.

These practices should be considered the minimum needed for proper protection of shipments where transit times are short and no problems are anticipated. However, during long transit times (in excess of 36 hours), complex airline transfers, or shipping into hot-weather areas, minimum packaging is not sufficient. In these cases, extra packaging is needed to maintain product quality and prevent “leakers.”

Quilted pads placed in the bottom of the cartons will absorb excess water and fish juice that accumulates during shipment. These pads can be used to wrap individual fish, preventing scale loss and shifting within the box. Fish may also be protected by individual plastic bags. Additional gel packs are insurance for long or difficult shipments. The use of a horizontal divider in large boxes separates layers and prevents crushing.

Gel ice comes in 1.5, 2.5, 5, and 10-lb. packs, but the 2.5-lb. size is most popular. You can buy the plastic bags and the powdered gel, and make your own packs; simply mix one teaspoon of gel powder to one quart of certified fresh water (as from a municipal water supply), pour into the bag, and iron shut. The resulting packs should cost about ten cents apiece. Of course, before use, the packs have to be frozen solid. *Gel ice is absolutely no good for refrigerating a product; all it does is slow the inflow of heat to a product already chilled.*

Several alternatives to gel packs are available and most of them work fairly well. “Ice pillows” are plastic bags containing blown or slush ice. Bead blankets are rolls of material containing tiny gel cells and can be cut to size.

An important part of packaging is insulation in the box. Good insulation will help maintain refrigerated temperatures and protect product quality. Cardboard and wetlock boxes have a very low insulating capacity. Insulation properties and effects of gel packs are discussed in Appendix C.

Extra insulation can be provided by sheets of styrofoam cut to line the sides, top, and bottom of the box. Usually styrofoam of 3/4” to 1-1/2” is suitable. Although it reduces the volume and carrying capacity of the box, it provides considerable protection.

Styrofoam insulation is necessary when shipping to areas where the product may be unprotected during transfers in airports or in hot weather, when shipping by unknown freight handling systems, and when the product is to be transported far beyond the airport. The best practice when packaging fresh fish is to provide as much protection as possible, within the limits imposed by competitive product cost, to ensure against physical and temperature abuse.

Packaging and shipping suppliers can be located in the telephone yellow pages. The Marine Yellow Pages is also an excellent source for locating supplies. To secure a copy, call 1-800-735-7258. For more information on Specialty Packaging (for live crab, etc.), call the Marine Advisory Program agent in Petersburg at (907) 772-3381 or in Kodiak at (907) 486-1500.

Time and Temperature Control

Since time and temperature control the rate of quality loss, higher storage temperatures result in shortened shelf life (Table 3). For every 10-degree increase in temperature (above 32 degrees F), shelf life is halved. Controlling the product temperature and holding time will minimize quality loss and maximize shelf life. Ideally, all fresh fish should be kept in chilled storage at 32 degrees F until the last possible moment, then delivered to the airport or airplane shortly before shipment and loaded as the last cargo.

Table 3. Effects of temperature on shelf life.

Shelf Life (Days)		
Storage Temp. (Degrees F.)	High Fat Fish	Low Fat Fish
32°	10	14
40°	5	7
50°	2.5	3.5
60°	1.5	2
70°	1.2	1.7

High Fat Fish include salmon and sablefish.

Low Fat Fish include halibut, cod, and pollock.

Physical Handling

Package handling also affects product quality. Handling methods can prevent or cause physical damage.

A serious problem facing handlers is the use of boxes with nonstandard strength. Generally, shippers use cartons having a bursting strength of 250 lbs. This has been the industry standard for many years. But as costs have risen, some have cut corners by using nonstandard boxes with as low as 150-lb. bursting strength. These boxes are about 40 percent weaker than the standard, presenting potential problems in handling. Dropping the 150-lb. box even a short distance may cause seams to rip.

It is not easy to distinguish between 250-lb. and 150-lb. test boxes during handling. Major carton manufacturers test the strength of their boxes and print limits on the bottoms that tell handlers if the proper weight box is being used. Unfortunately, many boxes do not have this testing seal and the handler cannot be certain of the box strength.

The wetlock box is rigid because of wax impregnation. While wax imparts strength, it also makes the box brittle. Rough handling can easily break sides and seams. Fold creases, where maximum stress occurs, cause problems. Any box dropped on its corner can easily rupture. This is another reason to use staples instead of filament tape to construct the box. The staples maintain the strength of the box.

The product also can suffer damage from poor packing. Loosely packed fish can shift during shipment, losing scales and becoming soft. Use the proper size box and fill them to capacity to avoid many of these problems. Individual bags or packing material such as quilted pads help prevent scale loss.

“Leakers” in the cargo holds of airplanes cause substantial damage. It is not the fish juice that causes this damage, but the bacteria that grow in the liquid, which produce acids that corrode the metal of the plane. If a spill is cleaned up immediately and thoroughly, there will be little corrosion. The recommended cleanup is to scrub the spill with a neutral detergent (like dishwashing soap), then rinse the area with a weak chlorine solution. The solution can be made by adding one cup bleach to seven gallons of water.

Shipment Planning

Successful fresh fish shipments require careful and thorough investigation of the factors that can affect product quality. These include airline schedules, weather at the destination, airplane transfers, and documentation. Having good communication channels among processors, carriers, and receivers is the point most stressed by those who handle large amounts of seafood. All airlines have perishable product handling specifications and fee schedules, so be sure that you are familiar with those which pertain to your business. The following questions should be answered when planning shipments:

- Which air carriers serve the area where the fish are being shipped? Which airline has a good reputation for handling fresh seafoods? Are airline personnel competent in handling fresh seafoods? Does the air carrier offer freight-only flights, or is the product shipped on passenger flights?
- Are the schedules convenient to both shipper and receiver?
- Are direct flights available or must the product be transferred between planes or air carriers? How many transfers will be needed to get the product to its destination?
- How long are the layovers if the product must be transferred? Which air carriers have cool rooms or cold storage facilities where the product can be held during layovers and at its final destination?
- What arrangements must be made to assure that the product is shipped on particular flights? Must space be reserved on planes? How far in advance of flight departure must the product be delivered to the air freight office? When will the product arrive at its destination?
- How is the product to be shipped? Will shipment be by individual box? Will it be in a large unitized container such as an LD-11?
- Will the product be held at the airport for pickup, or will it be delivered? Who is responsible for delivery? What local freight companies have good records in handling fresh seafood shipments?
- What information must be on the box in order to assure correct shipment and delivery?
- What documentation must be provided for the shipment?
- Does the shipment need to be insured? What are the coverages, limits, and costs? Does the airline provide insurance for customers?
- What are the weather conditions at the destination? Does the shipment require extra protection?
- What precautions should be taken to ensure product quality? Are extra gel packs needed? Should the box be insulated with styrofoam sheets? Is extra packing material needed to prevent shifting?
- When does the customer prefer the product to arrive?
- Does the customer have special packaging requirements?
- Are communication channels with the air carrier, customer, and freight forwarder well-established, so that everyone involved knows the schedule and arrangements?

Insurance Coverage and Limits

One of the most overlooked aspects of shipping fresh seafood is insurance coverage. Each air carrier offers a slightly different choice of insurance policies. Some may provide free insurance, while others charge for coverage. It is necessary to understand the policies of each airline and use them to protect the product. In general, there are three levels of coverage: no declared value, declared value, and full insurance coverage.

If no value is declared, air carrier liability is set at a fixed value with an upper limit usually around \$50 per shipment. Declared value coverage protects the shipment against loss and is an additional charge. Full insurance protects the shipment against loss, damage, and spoilage.

Declared value coverage usually costs less than full coverage. Considering the value of the product being shipped, the cost of insurance is small, and can help recoup losses when product has been delayed or lost. For insurance to be effective, shipments must be examined at the airport by the customer because claims must be made immediately if a problem exists.

If the insurance issued by the air carrier is inadequate, you can go to your commercial insurance broker for supplemental coverage.

Contingency Planning

When shipping fresh fish, expect the unexpected. The shipment could be delayed, or miss a connection, or the customer could refuse the product. It is important to have a backup plan to handle the product. A contingency plan should include the following:

- Addresses and telephone numbers of alternate customers, brokers, or markets for the fish.
- Locations of local cold storages that can handle and repack the product if needed.
- Alternate transportation and routes to the final destination.
- Pertinent information on the shipment (air bill number, flight number transfers, and routing) so that it can be traced.
- Contact numbers for airline personnel.
- Local representatives who can personally handle the product.
- Procedures to retrieve the product from the destination quickly.
- Insurance information.

Having this type of information available will speed the handling of problem shipments and save money.

Freight Forwarders

Using freight forwarders to handle product shipped from Alaska is another form of insurance that may be worth the cost. Freight forwarders act as agents for the shipper and ensure that the perishable shipments are handled properly at transfer points and destinations. They provide personal service that may be essential when establishing new markets, or dealing with large volumes of fish.

Forwarding companies should be chosen for their track record in handling seafood shipments. The size of the operation may be important in getting personal attention for problems. The facilities of the freight forwarder are also important. The company should be able to hold product in cold storage and repack it if necessary. There are at least two good guides for people shipping from Alaska. One is the Alaska Shippers Guide, published annually by Alaska Northwest Publishing, P.O. Box 4-EEE, Anchorage, Alaska 99509. Another is the Air Freight Directory, published annually with monthly updates by Air Cargo, Inc., 1819 Bay Ridge, Annapolis, Maryland 21403.

Conclusion

To be successful in the fresh fish business, you must control packaging, time, temperature, and product handling.

Keeping seafood as cool as possible and preventing rough handling will eliminate most of the problems encountered in shipping fresh fish. Proper planning for shipments, understanding the freight system, and having contingency plans are important parts of the total program for handling fresh seafood. Good communications with customers, air cargo employees, and freight forwarders are also essential for ensuring that fresh fish shipments get to their destination successfully.

Remember the three basic rules of fish handling that apply to fishermen, processors, and fresh seafood transporters:

KEEP IT COOL, KEEP IT CLEAN, KEEP IT MOVING.

CHAPTER 8

Marketing internationally

Bennett Brooks, Alaska Department of Commerce and Economic Development,
Division of Trade and Development

Like phone calls at 2:00 in the morning? Willing to change your processing and packaging to meet the demands of an Asian buyer? Eager to learn the health regulations in Italy?

Welcome to the world of international trade! Take all the steps you need to market domestically, then add foreign languages, international trade regulations, and unique business practices, and you'll begin to get a taste of what it takes to sell your seafood abroad.

Plenty of people already do it. Numerous cod fishermen up and down the coast of Alaska sell their fish direct to Korean markets. Others are direct marketing specialty items from sea cucumbers to milt sacs in places like Taiwan and Hong Kong.

Why do it? A few reasons. For one, the most natural market for your product may be overseas; better luck selling uni in Japan than Chicago. Another is price; in many cases, your buyer abroad may be willing to pay more than a domestic competitor. Third, by taking on the extra work, you can possibly squeeze a bit more profit out of the deal.

But tackling the international marketplace won't be easy. Risks are higher, the rules are different, and the bureaucratic hurdles more plentiful. The opportunities for misunderstandings are much greater, given differences in culture, language, and laws. And should anything go wrong, legal help is a long, uncertain, and expensive way away.

Not daunted? Then read on. A country-by-country review is beyond the scope of this handbook. We can, however, highlight the major issues you'll need to consider and master.

"There's five billion people outside the United States. Someone's got to want my fish!"

So many countries, so many decisions: Where to sell? Who is the buyer? How to find buyers? In some cases, the choice will be easy; urchin to Japan or lox to Europe, for example, are fairly safe bets. Others will be tougher. Making the right call on these questions may be your most critical decision.

Fortunately, there's a lot of assistance around to help you make the choice. Probably your best source of help will be the U.S. Government, which maintains offices in virtually every country around the world. Many of those offices produce detailed reports on the seafood industry, outlining market preferences, buyers, and barriers.

Another good resource is the Alaska Seafood Marketing Institute, which has liaisons in five key markets—Japan, Korea, France, the U.K., and Australia—who collect information on trends, opportunities and buyers, primarily for salmon. The Alaska Department of Commerce and Economic Development also maintains trade staff in Korea and Japan, and there are other sources as well.

Your task is to find the market that needs what you have to sell. As Jerry Babbitt with the National Marine Fisheries Service in Kodiak emphasizes: "You have to find out what your market wants. You've got to know your market."

Italy, for example, has tough regulations regarding salmon imports and Norway is said to have a solid lock on that market; probably not a great place to spend time. The Tokyo area in Japan is saturated with salmon, but smaller-sized importers outside of the major cities are increasingly willing to buy direct.

You must also consider tariff rates—the tax imposed by each country on imports. These taxes vary greatly—from 2 percent on salmon entering the E.U. to 42 percent on rock fish being imported into Taiwan. The stiffer the tariff, the more expensive your product will be when compared to the domestic competition. See tariff schedule on page 46.

Choosing a market, however, is only part of the problem; you also have to find a buyer. There are three basic choices, each with its own risks and rewards:

- **Sell directly at auction overseas**
- **Sell to agents in Alaska**
- **Sell to buyers in the foreign nation**

Most Alaskans who've tried the auction route in the past advise heavily against it. The seller, they say, is just too vulnerable. Says Joe Brunner of Alaska F.I.S.H. Market: "You have to pre-sell it. Otherwise, your product will languish over there and they have you over a barrel."

That, in the opinion of most who've traveled this path before, leaves two choices: selling to an agent in Alaska (a broker or representative of a foreign buyer), or finding buyers overseas. If you use an agent already here, it will likely make your job a lot easier. They will often handle the paperwork, worry about customs requirements, and ensure that your product moves smoothly. All this comes at a price—they may not always pay top dollar for your fish—but Laura Brooks with Alaskan Tsunami Seafood of Homer says it's well worth the cost.

"It's hard for fishermen to take, but getting the best price per pound isn't everything," says Brooks. "There's plenty of little guys around who'll pay good money when the market is strong, but they disappear fast when the market collapses. We decided to go for a stronger, more reliable player. No matter what happens, he's always there for us. Even if you're not making the most money, the long-term security is worth it."

Of course, you may opt to find the buyer overseas—or it may be your only choice. In either case, using U.S. Government, ASMI, and other listings of buyers, participating in trade shows, and visiting the markets will likely be your best way to meet and assess potential partners.

Finally, remember that nothing is static. A market that's good today may be saturated tomorrow. The savvy direct marketer will always be looking for tomorrow's buyer.

A Certificate of What?

Bill Sullivan couldn't have been happier. He was stepping into the brave new world of selling his own fish and he had finally found a foreign buyer for his cod. He prepared his shipment and his paperwork and then, at the last minute, decided to add a thank you to his buyer: some free pollock. Big mistake. Korean customs seized the entire shipment.

"They thought I was trying to pass pollock off as cod," said Sullivan of Kachemak Seafoods. "It was the worst thing I could have done. I lost the whole load, worth approximately \$4,000."

Sullivan learned the hard way that doing business across borders is a tangle of regulations and paperwork. Precision counts and mistakes—particularly when shipping fresh seafood—can be costly. They need not, however, be inevitable.

Most importantly, be aware that getting your seafood into another country means a series of bureaucratic hurdles. The laws and requirements vary from country to country—Italy, for example, demands testing for parasites, formaldehyde, and mercury—but there are two general steps to keep in mind:

- **Paperwork.** Every shipment of seafood you send abroad must be accompanied by several documents, regardless of the country of destination. At a minimum, these include a certificate of origin, a commercial invoice, and a packing list. Paperwork must be precise; customs officials are not forgiving. Said Sullivan: "They really are strict taskmasters. You have to deliver to the specifications."

- **Testing.** Here, the requirements vary greatly from country to country and year to year. Many countries require a general certificate of wholesomeness, typically issued by the Alaska Department of Environmental Conservation or the U.S. Government, attesting to the general condition of the seafood. Others require more elaborate testing, such as the Italian example mentioned earlier. It is essential you work with your buyer and U.S. officials to ensure you know the latest rules and conform to them.

It's not impossible for an ambitious direct marketer to handle these requirements on his or her own. But given that you have to worry about catching your fish, processing it, packing it, and finding a buyer, most direct marketers recommend that first-timers use an expeditor, or freight forwarder—companies that make their living knowing the regulations, the paperwork needed, and making sure the documentation is proper. They'll also arrange your shipping for you.

"It's best to use an expeditor at first," said Sullivan. "It may cost you a dime or so (per pound), but it's worth it, particularly in the beginning."

Je ne parle nihon-go

You've got your market, you found a buyer, you've even mastered the fine art of filling out a certificate of origin. Now comes the hard part—making sure it all doesn't fall apart.

International trade deals are fragile, often seemingly at risk of collapsing due to one misunderstanding or another. If you're going to trade internationally, it is essential that you take the time to understand the culture and the business norms of your market. And while you don't need to know the language, you must be prepared to use and pay for the skills of an interpreter, when necessary.

Consider doing a deal in Japan. Say a fax arrives from your new buyer on a Monday. You're scheduled to be out of town the next three days, so you wait until Friday to answer. You think you've been prompt and expect your buyer to be happy. In fact, your return fax may be too late and your hard-won business contact lost.

Why? By Japanese business standards, faxes from buyers to sellers are expected to be answered the next day. Even if you don't have the answer. To ignore a fax is to risk inadvertently sending your buyer the message that you're unreliable, or not trustworthy. This is particularly true for the direct marketing fisherman, who likely has little reputation or track record among would-be buyers.

The good news is that no one will expect you to be an expert on all the rules. You are, however, expected to know the basics:

- **Culture.** Take the time to learn the culture of the country, whether it's how to exchange business cards in Japan, or knowing not to eat while walking on the street in Spain. Your attention to each country's norms will be noticed and appreciated.
- **Business Norms.** Does a Taiwanese salmon importer want salmon with the head on or off? Are buyers in Belgium used to importing seafood on 60 days credit, or should you expect to be paid prior to delivery? Will prices on a shipment of crab to Hong Kong be quoted in dollars and pounds? It's essential you study the business practices, both general and specific to seafood, typical to each country.
- **Trade Terms.** International trade has its own language. When buyers send you offers citing C.I.F. versus F.O.B., for example, it's important you understand what the terms mean. There are dozens of additional terms used daily that you need to know. See the Glossary for some of them. It's also extremely beneficial to know the negotiating habits of your would-be partners. Do they honor commitments, or are they likely to reopen talks at the last minute? Is it important that they get to know you as a person, or do they just want to talk numbers? Understanding your buyer's strategy will help eliminate confusion and increase the odds that your deal is profitable.

Another example from Kachemak Seafood's Bill Sullivan clarifies just how dicey these deals can be. Shortly after shipping another load of fresh cod to Korea, Sullivan received an outraged call from his buyer complaining that the fish was previously frozen. He wanted his money back. Sullivan listened, then politely explained the problem: The fish were so fresh, they were still in rigor mortis. Crisis averted, but just barely. A bit more communication up-front and there wouldn't have been a problem at all.

It may be to your advantage to engage the services of a consultant, agent, or lawyer to help you get through the cultural and legal jungle at least at the start of your international marketing effort. The best way to choose a good one is to network. As a first step, start close to home: talk to friends, other fishermen, bankers, etc. Next, get in touch with state and federal officials for lists of possible contacts. Write or fax these individuals and try to determine whether you think they will be a good match. Finally, consider actually going to the market to meet and assess your potential agent. This will cost you some money up-front, but will likely be well worth the cost. Once you've selected an agent, build your relationship slowly and carefully, set out clear goals, communicate often, and evaluate the effectiveness of the relationship.

40,000 Won? I'm Rich!

There's lots of ways to make money selling your seafood internationally. As Joe Brunner with Alaska F.I.S.H. Market points out, there's plenty of ways to lose it, too. "It only takes one time," says Brunner. "Get burned one time and it erodes your profit margins."

Marketing your fish internationally adds several layers of risk and costs that must be considered when putting together your business plan and calculating your costs.

First the extra costs. Working with international buyers means lots of late night and early morning calls and faxes. The charges add up quickly and must be considered part of your costs. You may also need to visit your buyers or markets regularly to determine specifications and needs. Add several more thousand to your overhead. And if you're selling C.I.F., don't forget to tag on the price of shipping and insuring your product.

And then there's the risks. Your shipper leaves your product on the tarmac in Anchorage and everything spoils. Your product arrives overseas, but the buyer backs out on the deal. Your buyer takes the product, but doesn't pay the bill.

Naturally, each of these situations has a potential remedy: insure the product, check out your buyer, demand secure payment methods. But nothing is foolproof; you must be prepared for the worst. And remember: If the deal goes bad, don't count on suing. You'll be in court overseas, with different laws and steep fees.

Laura Brooks with Alaskan Tsunami Seafoods swears by the Irrevocable Letter of Credit (ILC), a means to ensure you get paid once you've delivered your product, as specified. "My number one piece of advice?" she said. "Get an ILC. My buyer went bankrupt. Fortunately, we had an ILC, so we were okay."

ILCs can be obtained from most banks, so check with your banker to help your customers arrange their ILCs.

Finally, you need to make sure you understand how you're getting paid. In dollars? In a foreign currency? Based on C.I.F? Or F.O.B.? One mistake and your profit margin could be gone. Remember, exchange rates fluctuate daily, and some currencies continually lose their value against the dollar, so it is incumbent upon you to thoroughly understand the implications of currency exchanges on your business. (See Appendix E for a lesson in converting yen per kilogram to dollars per pound.)

The bottom line: Figure in your costs, assess your risks, and—as Joe Brunner says — "Don't expect to make money your first year."

Marketing Internationally: Top Seven Suggestions

1. **Be patient, persistent, committed.** Short-term wins in international trade are the exception. Be ready to spend years developing a market.
2. **Start small and don't promise more than you can deliver.** Your credibility as a reliable supplier is essential.
3. **Develop an international marketing plan that focuses on just one or two countries.** Don't chase orders from around the world.
4. **Pay attention to your overseas buyers, even when the domestic market booms.** Long-term, stable relationships are critical.
5. **No two markets are alike.** Be willing to modify your product—processing, packaging, etc.,—to meet the needs of your foreign buyer.
6. **Know the import laws and norms of your buyer's market and don't deviate.** If necessary, hire experienced intermediaries to ensure you are satisfying all regulations.
7. **Communicate frequently and clearly with your buyer.** Be prompt in answering all queries.

Marketing Internationally: Key Contacts

Alaska Seafood Marketing Institute **Seattle, Washington (206) 451-7464**

Collects information on market trends, opportunities and buyers in a number of markets overseas. Also gathers international trade leads.

U.S. Foreign and Commercial Service **Anchorage, Alaska (907) 271-6237**

Helps exporters find and maintain markets worldwide through a variety of services, including: holding trade missions and shows; helping find potential buyers; identifying possible agents/distributors; and conducting reliability checks on potential partners.

Alaska Department of Commerce and Economic Development **Division of Trade and Development** **Anchorage, Alaska (907) 269-8110**

Maintains offices in Korea and Japan, as well as contractors in Taiwan. Provides market intelligence, identifies potential buyers for your product, offers trade promotion opportunities.

Alaska Center for International Business **Anchorage, Alaska (907) 786-4300**

Conducts research, provides education, and offers services to the public that facilitate exports and increase Alaska businesses competitiveness. Maintains detailed database on seafood exports worldwide, produces fisheries bulletin.

National Marine Fisheries Service, NOAA **Juneau, Alaska (907) 586-7221** **Seattle, Washington (206) 526-6114** **Washington, D.C. (301) 713-2328**

Provides a range of trade and industry services for exporters looking at foreign markets.

Alaska Department of Environmental Conservation **Division of Environmental Health** **Seafood Development Section** **Anchorage, Alaska (907) 269-7501**

Issues permits for fishermen interested in processing and marketing their own seafood. Also issues certificates attesting to product wholesomeness and quality.

World Trade Center Alaska **Anchorage, Alaska (907) 278-7233**

Membership-supported organization that allows members to post and find trade leads daily throughout the world; holds export-related seminars and programs; offers telecommunications links; etc.

Freight Forwarders/Expeditors **See Phone Directory or Marine Yellow Pages**

Act as agents for the exporter to provide expertise needed to move cargo from inland points to foreign destinations. Offer essential information on import rules and regulations, shipping options; prepare export paperwork; and arrange insurance.

Foreign Consulates/Trade Associations **See Phone Directory**

Provide general information on overseas markets. May offer information for developing in-country business contacts.

Banks **See Phone Directory**

Offer variety of services to exporter, including credit information on potential customer or agent; advice on payment methods; arrange letters of credit; finance exports, etc.

Select Tariff Rates for Fresh Alaska Seafoods

	Japan	Korea	Taiwan*	EU**	CHINA***
Salmon Fresh Frozen	3.5% 3.5%	20.0% 10.0%	22.5% 22.5%	2.0% 2.0%	30.0% 30.0%
Sablefish Fresh Frozen	3.5% 3.5%	20.0% 10.0%	42.5% 25.0%	15.0% 15.0%	30.0% 30.0%
Pacific Halibut Fresh Frozen	3.5% 3.5%	20.0% 10.0%	30.0% 20.0%	15.0% 15.0%	30.0% 30.0%
Pacific Cod Fresh Frozen	10.0% 6.0%	20.0% 10.0%	30.0% 20.0%	15.0% 15.0%	30.0% 30.0%
Rockfish Fresh Frozen	3.5% 3.5%	20.0% 10.0%	42.5% 50.0%	13.5% 13.5%	30.0% 30.0%

Source: National Marine Fisheries Service.

Notes: * Tariff rates in Taiwan for all listed species are expected to fall between roughly 20 and 40 percent once Taiwan's membership in the GATT/World Trade Organization is finalized.

** EU tariff rates for Pacific cod will decrease to 12 percent over the next five years, as a result of recently negotiated trade treaties.

*** Tariff rates in China vary by species and can range as high as 70% on crab

CHAPTER 9

Direct marketers and buyers share their wisdom

Donna Parker, Alaska Department of Commerce and Economic Development
Division of Trade and Development

Before anyone starts investing serious time and money into direct marketing of their fish, they should conduct a reality check by talking with those who have tried it. To give readers of this manual a bit of a head start in developing a direct marketing strategy, included here are insights gathered from interviews with several direct marketers and those who buy from direct marketers. Interestingly, fishermen and their customers agree on most issues. Here is a brief summation of shared advice to newcomers:

1. **Identify a market niche.** Why should someone buy from you rather than someone else? Are you offering better quality, better price, or better service? You can't deliver on all of these at once. It will take three to five years to establish that niche.
2. **Gotta get rid of it all.** The logistical problem that stops most people is that you have to sell all your fish. That requires many markets and many small shipments that must meet the specific requirements of your buyer (i.e., quality, quantity, species, size, roe, delivery time). And what do you do with lesser quality products? The hard part is having a customer for everything you catch. If you find a distributor that will take your whole boatload, you will be paid less for your fish because the distributor will be taking on the costs and risks of securing many buyers for your product.
3. **Test the waters.** Try to maintain a positive relationship with your processor. Some processors will agree to custom process all or some of your fish for you. The custom-processing route requires little in up-front investments and avoids the need for processing permits, some licenses, and other fees.
4. **You have to be self-sufficient.** Once you stop selling to a processor, you may lose access to mechanics, ice, dock space, tender support, and other services.
5. **You have to do everything yourself.** The tasks and risks someone else used to assume are now yours. These tasks are very different from fishing. Direct marketers report that for every hour of fishing, they spend two to three hours doing the other jobs required of a direct marketer. "Catching the fish is the easy part," says one fisherman-marketer. "Turning it into money is the hard part. It's not for everybody and requires very different skills than fishing." Or as a distributor characterized it: "It would be like us trying to cut out the fishermen as middlemen and harvesting the fish ourselves to recover more profit. We have no idea what the costs of nets and engines are, or the effect of tides on fishing. It would be a very steep learning curve for us."
6. **Quality.** Every direct marketer interviewed made extraordinary efforts to ensure product quality. Nearly every direct marketer interviewed bled and chilled fish at the time of capture. Those were the handling requirements of all buyers interviewed.

Every buyer interviewed cited quality as the incentive for buying from fishermen. "The product I buy from fishermen is days fresher than if it had worked its way through the distribution system," said one. "That means it has a longer shelf life and that's where we make our money." Another buyer described his needs this way: "There is definitely a need for a premium quality product at a higher price. If processors can't offer a high-graded product like that, then that is the real niche for fishermen."

Often, it did not make a difference to buyers whether salmon was caught with troll or gillnet gear if it was handled correctly. In addition to bleeding and chilling fish at capture, correct handling to buyers interviewed included frequent retrieval of gear to avoid bruising and net marks.

Many direct marketers said a significant improvement in quality occurred when they froze or chilled their fish before it went into rigor mortis. "This will allow the fish to go through rigor in the hold and keep it suspended in that condition for days," said one. "When it emerges from rigor, it will be fresher than an unrefrigerated fish just five hours out of the water that has passed through rigor and begun the process of decay. Holding fish in rigor increases the shelf life significantly and is an important marketing advantage."

7. **Locate buyers who are your philosophical allies.** Your customers need to buy into the importance of a premium quality product and understand your limitations as a small operator. In order to receive more for your fish than processors who survive on high volume and thin margins, you have

to locate buyers who are willing to pay more for a high quality fish. Unfortunately, many buyers do not equate “freshness” as being a quality trait of frozen seafood. So if your product is frozen, you have the added chore of correcting this misperception. Says one direct marketer: “It’s important to me to work with people who understand the constraints of a small operator like myself.”

8. **Reduced importance of fishing.** You must sacrifice volume to meet the needs of your customers. You spend more time targeting species you have markets for, and you have to get them through processing and to market quickly, especially when selling a fresh product. That means more trips to town and less time on the grounds. “When you go out fishing, you don’t think about filling your boat up, you think about filling your customers’ orders,” says a fisherman-marketer. “You are no longer a fisherman first; your priority now is as a businessman meeting your customers’ needs.”
9. **Market research.** Invest time in understanding markets you hope to develop. Organizations like Alaska Seafood Marketing Institute have spent considerable time and money collecting demographic and other consumer information both in domestic and foreign markets. Seafood magazines and newsletters produce information on changing market conditions on a weekly and monthly basis. This information can tell you where (restaurants, grocery stores) most seafood (by species) sales occur in specific regions.

Don’t build a customer base by telephone. Go to the location. Investigate and meet in person all potential customers. Be sure to know the network. Good places to start are the Yellow Pages under “Seafood Distributors,” “Buyers,” etc. Also, the Urner Barry book, Who’s Who in the U.S. Seafood Industry, is a valuable resource.

10. **Market development.** Know everything about a potential customer before you make the first telephone call. Understand the whole distribution network in the region, who the players are, and where the potential customer fits in that network. Know the customer’s operation, needs, and reputation. Do a credit check and ask peers in the network. Be sure to know who in the company actually buys the fish and be sure to talk to that person. Know what the person is looking for and offer it to him or her. Be sure you can deliver what you promise.
11. **Customer interview.** Call ahead for an appointment. Dress appropriately. “You can’t dress like a fisherman fishing for a market,” says a buyer. “That has very little credibility because fishing doesn’t occur every day and business does.”

Bring a sample of your product. A brochure that provides photos and information about your product and operation is very helpful. A professionally done photo album that details handling procedures can also be helpful. One distributor was very specific in what would impress him: “They need to tell us the story of how their fish are caught and why they are worth more than other fish. A professional looking picture book would be very helpful to us in assessing whether we would like to do business with a fisherman. It should include photos that demonstrate harvesting and handling of the fish, the vessel, crew, engine room, processing facilities, a map of where the fishing occurs, and a schedule of expected openings so we know when to expect fish. Sloppy work will reflect poorly on the anticipated care and handling of the fish.”

Another buyer said: “We are generally approached by three different types of fishermen wanting to market their own fish: (1) the disgruntled harvester who wants more for his fish, but isn’t willing to do anything differently; (2) those that are willing to do some things differently, but are primarily concerned with getting paid more; and (3) those that ask what needs to be done, and do it time and time again. These are the fishermen we are willing to work with. They are artisans and have an attitude of excellence. They don’t just deliver fish, they deliver quality, communication, reliability, and integrity.”

12. **Biggest problem working with fishermen.** They don’t understand the seafood business. Every buyer interviewed voiced some frustration in dealing with fishermen. “Fishermen know how to catch fish, but most of them haven’t the slightest idea what to do with it after that. Fishermen are incredibly naive about the wholesale and retail distribution system. If they don’t understand our business, how can they correctly assess our needs?”
13. **Communication.** Working with direct marketers is often an inconvenience for buyers. Not only are supplies inconsistent, but delivery times are not regular because of extended openings, bad weather, and cancelled flights. The only way to overcome this potential lack of dependability is to stay in regular and frequent contact with your customers so they can make other arrangements as necessary. Many direct marketers have cellular phones on their boats to remain in daily contact with their customers, or the person in their operation who is dealing with customers. The

importance of this cannot be overstated. One buyer who voiced frustration in working with fishermen cited an important difference in the relationship he had developed with a Copper River fisherman who understood the importance of communication. "I can pick up the phone and talk to him while he's catching the fish. In other words, I can order the fish while it's still alive and know when it will arrive."

14. **Pricing.** Remember that the base price is driven by large processors who operate on high volume and thin margins. Be sure you know what the market will bear. Keep yourself up-to-date on daily wholesale and retail prices that vary with supplies available. When breaking-in, you may have to offer under the going rate to attract interest. Once they've established customer loyalty, some fishermen strive to keep their prices stable, regardless of roller coaster prices. "I know what my costs are," said one well-established direct marketer, "and I know the worth of my fish in the market; that's what I charge."

Fishermen generally say they expect to be paid more than the going rate because they deliver a premium quality product. Not surprisingly, buyers often expect to pay direct marketers less because of the inconvenience. "If a fisherman sells to me directly, he expects to be paid more than I pay a processor, but there has to be something in it for me to make up for all the lost convenience of not getting what I want when I want it." However, most buyers admit they would pay more to someone who established a real track record of exceptional quality and reliability.

The bottom line, as articulated by one direct marketer: "You really don't know what the price is until they stop buying."

15. **Backup market options.** What are you going to do if a buyer refuses a shipment, cancels an order, doesn't want to pay your price, or you caught a lot more fish than you anticipated and don't have enough buyers? You can't jump on a plane and go shopping for buyers while your fish is cooling its heels somewhere. You've got to have backup markets that are no more than a phone call away. Relationships with brokers and traders come in handy under these circumstances.

One small cod operator, who has only four or five regular customers, solves this problem by not only having backup markets, but by also diversifying his product mix which includes fresh, frozen, salted, and filleted. "I can't afford to allow myself to become dependent on anyone. This way I can always hold my inventory in the freezer."

16. **Fresh or frozen?** Buyers interviewed were split in terms of whether they bought exclusively fresh, or a mixture of fresh and frozen product. When dealing in salmon, this often was determined by whether they considered farmed salmon an acceptable alternative to wild salmon when fresh was not available. Generally, those who bought only wild salmon, purchased fresh and frozen, while those who bought only fresh salmon, used both wild and farmed salmon.

From a direct marketer's perspective, selling fresh products may lower the risks and costs incurred by freezing, and holding onto inventories in a commodity-driven market where prices rise and fall in relation to the fluctuation of supplies available. But having the option to freeze greatly reduces your need to sell now, even if the market is glutted and prices poor. Your shipping costs will also be lower than the cost of air shipments required to get fresh products to the market. And if freezing capacity is on board your vessel, it allows you to stay on the grounds longer instead of making trips to town every two or three days to deliver your fresh product to market.

However, frozen fish is still perceived as inferior to fresh. Your ability to secure a better price will require the cultivation of a niche "designer" market with buyers who share your philosophy on the quality of your frozen seafood because major processors can produce that product at less cost than you can.

17. **No retros.** When you market your own fish, you are more readily exposed to the vagaries of the market. When you sell direct, you sign a price agreement that doesn't change if the overall price (year-end bonus) is paid to everyone else. There are no retros paid to direct marketers.

An example cited by a buyer was a halibut opening when a price had been agreed on before the opening. "The price at the dock got driven up significantly during the opening. As a result, the fisherman wanted more money from us, but we had already sold that fish at an agreed-upon price with retailers. Those retailers had already paid for ads that included a price that was based on our price to them. We couldn't pay more to the fisherman because we couldn't charge more for the fish."

Another example is a Bristol Bay fisherman who traded 10,000 pounds of salmon in the round to a co-op for custom processing. In return, he got 3,000 lbs. of Individually Quick Frozen (IQF), H&G salmon, FOB Seattle which he sold for \$3.25/lb. If he had sold his sockeye to a processor for \$.80/

lb., that fish would have been worth \$8,000. By selling the custom-processed fish, he made \$9,750, or an additional \$1,750. But unlike fishermen who sold to processors, he didn't get post-season retro which reduced his additional profit.

18. **Start off small.** Never deliver large quantities of fish to anyone until they have established a track record of prompt payment and you have a well-defined working relationship.
19. **Start off small and stay that way.** Rapid expansion can be disastrous if not well thought out. Explains one fisherman-marketer: "In this type of business, gradual growth doesn't occur; it's a big jump to the next step. For me, to grow beyond where I am (a one-person operation), I'd have to have four or five boats working for me and five or six people processing fish and me marketing all the time to make the same amount of money I make working alone."
20. **Don't fish and market at the same time.** You should try to separate as much as possible the production mode from the marketing mode. Direct marketers say it is very difficult to go back and forth. Said one: "I couldn't stay on top of all the shipments and be in necessary communication with customers without my wife. You need someone at the other end who cares about your fish."

A number of buyers suggested that fishermen form small marketing co-ops. Some of the direct marketing operations interviewed for this manual had adopted that strategy and were very successful. "The best way is to form a co-op with a few boats," says one, "so there's enough volume to be able to hire someone to market your fish and oversee the business end of things so you can focus on fishing."

21. **Local distribution at destination.** Though some direct marketers distribute their products themselves, many buyers regularly go to the airport to pick up shipments of fresh product. Buyers ask that air bills identifying the content, weight, and arrival time be faxed ahead of time. For frozen product, barges sometimes deliver directly to cold storage facilities, or the cold storage facility can pick up the shipment for a charge. The cold storage facilities will also deliver the product locally (at a cost), or the buyers can pick it up at the facility. All cold storage facilities have tariff sheets that detail costs for handling services. These should be secured in advance for cost and service comparisons.
22. **Payment schedules.** According to those interviewed, expect payment for your fish between 14 and 90 days after delivery. Retailers generally pay the quickest—between 14 and 30 days. Distributors may take longer—about 30 days. Restaurants can take up to 90 days. There is more risk in selling to restaurants because they go out of business far more often than retail or wholesale operations. They also need specific amounts of fish delivered on a daily basis. A restaurant organization interviewed for this manual owned several restaurants and basically served as its own distributor.
23. **Correctly assess your costs.** The expense of getting fish to market is a lot more than people expect: permits, bonding, taxes, packaging, transportation, insurance, cold storage, distribution. Be sure to include the effect of reduced fishing time caused by more frequent trips to town and time required to process, pack, and ship each delivery. You also need to factor in that, although you will be making the additional expenditures described above, you may not be paid for 14 to 90 days. That may impose additional financing costs.
24. **Buyers purchase seafood from multiple sources: processors, distributors, and fishermen.** Remember that in order to satisfy all their seafood needs and to ensure consistency of supply, your customers rely on "sourcing product" in several ways. Generally, the bigger the operation (i.e., distributor), the more they will rely on volume producers (processors). This enables them to deal in large volumes at reduced risk and price. "Fishermen have to realize we already have existing relationships," said one distributor. While this in no way eliminates fishermen from the mix of suppliers, direct marketers should remain cognizant of the big picture.
25. **Fish buyers don't buy roe.** Selling roe or other by-products like milt sacs is a whole different market with a separate set of handling, holding, packaging, and payment procedures. Most salmon fishermen interviewed sold their roe "green" or unprocessed (rinsed, but no brine treatment) to caviar companies, or import company agents. This generally means the roe is held in buckets at temperatures of about 35 degrees. Be sure to get detailed handling instructions from your customers. See Appendix G for more information on salmon roe.
26. **IFQ halibut.** All buyers voiced interest in purchasing halibut from Alaskan fishermen. Alaskan halibut became available fresh for most of the year when an IFQ system was implemented in 1995. Buyers voiced dissatisfaction dealing with Canadian-caught IFQ halibut, and Alaskan fishermen considering marketing their own halibut would be wise to discuss with potential customers' ways in which to avoid problems that have apparently occurred with the handling of Canadian product.

CHAPTER 10

Scenarios

Donna Parker, Alaska Department of Commerce and Economic Development
Division of Trade and Development

Direct marketer, wholesaler, and retail purchaser profiles

Direct marketers as well as wholesale and retail seafood operators were interviewed in the preparation of this manual. Provided here is a brief synopsis of some of these operations so that the readers of this manual will have examples of how to set up an operation and interact effectively in the marketplace.

Direct Marketing Operations

BRUCE GORE Triad Fisheries
SE Troller, Frozen-at-Sea, "Designer" Salmon
Sitka, Alaska

Gore started marketing his own fish in 1978. In addition to his own fish, he now markets frozen-at-sea salmon for approximately 20 trollers. All participants must meet the strict handling and quality standards set by Gore's company, Triad Fisheries. Fish are identified with a numbered tag attached to the gill that remains on the fish until purchased by the consumer. The tag is used not only to distinguish Gore's product in the marketplace, but as a quality control measure that permits problem fish to be traced back to the boat, time, and location of capture.

All Gore-tagged fish are stunned, bled (including back flushing of the blood line), dressed, and frozen to -40 degrees F on board the vessel. To ensure the salmon are frozen pre-rigor, all fish are frozen within 90 minutes of capture.

Gore markets his fish domestically and in Asia. He says it took him three to five years to establish a market niche for his premium quality salmon. "I felt the best way to maintain high quality of the fish I caught was to freeze it at sea," he says. "The market needed a product it could defrost in six months and was still a beautiful fish. This was to be my marketing advantage. It took at least three years to convince people that my fish really were a premier product and that this was not a marketing ploy."

Gore operates out of Sitka, using a local processor to custom pack his product. The fish are held in the public cold storage facility there until enough product accumulates to fill a refrigerated container for shipment to cold storage in Seattle. At the Seattle facility, Gore repackages his product to meet the order specifications of his customers.

PETE KNUTSON Loki Fish Co.
SE Salmon Gillnetter
Ketchikan, Alaska

Knutson began marketing his own fish in the early 1980s when the Commercial Fishermen's Cooperative Association in Ketchikan dissolved. He cultivated markets in San Francisco and Seattle. He catches between 2,500-6,000 lbs. a week which he sells to about a dozen small retail supermarkets. He has developed backup market options with brokers.

Knutson's fish are bled, dressed, chilled, and packaged aboard his vessel. He returns to Ketchikan every two or three days to deliver shipments to the airport. He is in constant contact with his wife, Hing, who does most of the logistics, marketing, and customer service from their Seattle home. She, in turn, is in constant contact with customers, telling them how much of what species will be delivered and when. Fish destined for Seattle are picked up by Hing and either delivered that day, or held overnight in a 3,000-lb. cooler in their garage for delivery in the morning. Fish destined for San Francisco are picked up by their customers.

JOHN LOWRANCE Quality First Seafood (QFS)
Business Manager A Bristol Bay Salmon Cooperative Partnership
King Salmon, Alaska

This operation was started in 1994 by four Bristol Bay driftnet fishermen: Ron Griffin, Dick Matthews, Russ Novak, and Steve Thomas. They hired John Lowrance, a long time operations player in the North Pacific fishing industry, to set up tender and processing operations and to market the fish.

All the partners had dabbled in marketing their own fish on a small scale, but had either lost or made little money because they had tried to fish at the same time. Over the winter, they pooled their resources, leased commercial property to house their processing operation in King Salmon, hired Lowrance to run the operation, found a small Japanese import company who also bought roe to back them, and secured a pack loan from a bank. Then they ordered equipment which included an automated H&G line, egg agitators, blast freezers, refrigerated vans for storage, and trailers for employee housing. They stripped an old school bus and converted it into an office. They hired four tenders and when the intense Bristol Bay season opened in late June, they were ready for business.

During 1994, in addition to marketing their own fish, they accepted fish from 200 other fishermen. They offered three options: (1) sell fish to QFS for cash, (2) have fish custom-processed by QFS and returned to fishermen for them to market themselves, and (3) have fish custom-processed by QFS and sold under the QFS label with a profit sharing arrangement. "In the long run, we think this profit-sharing arrangement is the best way to stay in business because it shares the risk and profit in a very volatile market," said Lowrance.

In a post season pro forma business analysis, QFS determined that it needs to increase its production of frozen product to 1.2 million pounds to make a reasonable profit. Lowrance said a simplified formula for figuring salmon costs per pound is the following:

- Start with ground price
- Add \$.11 cents for tendering costs (this will vary by location)
- Add raw fish tax and local sales tax
- Divide by a 72 percent recovery rate
- Add \$.50 cents for overhead

This total is what you have into the fish before you can extract any profit and does not include shipping, import duties, or cold storage costs.

BILL SULLIVAN Kachemak Seafood
Cod Processor
Homer, Alaska

Sullivan started marketing Pacific cod in 1990. He had worked as a crew member aboard vessels in the Gulf of Alaska and the Bering Sea. He decided that the best way for him to graduate off the back deck was as a buyer of local fish rather than financing his own catching operation. He chose cod because he felt it was underutilized and undervalued. He has cultivated a small fleet of Homer fishermen interested in pot fishing for cod during the winter. To secure a market, he contacted a

Korean company he had worked for while fishing on joint venture trawlers in the Bering Sea. The Department of Commerce and Economic Development's Division of Trade and Development helped him secure another Korean market.

The vessels usually leave at 5:00 a.m. and return at 4:00 p.m. each day. All fish are iced in totes. When the boats return to Homer, Sullivan meets them and delivers all the packing materials for the crew to pack the fish or he has it custom packed at a local processing company. Most of his fish are shipped in the round to two customers in Korea. The fish are weighed on board and packed in 50-lb. wetlock boxes with liners and gel packs. In addition to the price paid for the fish, Sullivan pays the crew \$.25/lb. to pack the fish for shipment. The packaged fish are then trucked to Anchorage where they are delivered to an expediting company which oversees air shipment to Korea in time for next day delivery. Sullivan includes with each shipment an invoice, packing slip, export declaration, certificate of origin, and stickers written in Korean which identify the product. The expeditor provides cold storage and oversees and consolidates shipments.

When the Pacific cod quota is filled in the Central Gulf, Sullivan buys fish in Dutch Harbor from jig fishermen, where an expeditor in Dutch Harbor oversees shipment. Sullivan ships 2,000 to 4,000 lbs. a day.

He estimates his costs as follows:

Fish and Processing	35%
Airfreight to Korea	55%
Packaging	4%
Trucking	5%
Taxes and Assessments	1%

"If I make \$.20/lb., that's great!"

HAROLD KALVE Specialty Seafoods
F/V ROCINANTE
33-ft. Jig and Longline Vessel
Fishes Out of Seward and Processes in Anchorage

In 1986, Kalve bought a refrigerated truck. He filled it with 8,000 lbs. of glazed and portioned cod fillets and headed south. He crossed the border in Montana and began selling his fish to retail stores, including chain operations. He did not experience much success until he began selling product in parking lots from the back of his truck. Eventually, he found a fish market that bought the remainder of his load. He headed back to Alaska with \$25,000 in his pocket. That money financed his entry into the seafood business. (If you choose this approach, be advised to portion your product. Attempting to sell whole fish in this manner has left many a marketer holding a lot of inventory.)

Kalve's operation is small. He works alone. His vessel is tied up in Seward. He fishes two to three days at a time until he catches about 500 fish. All the fish are bled while coming over the roller, then dressed and chilled in ice-filled totes. When he returns to Seward, he unloads the totes with his boom truck and drives the fish to Anchorage where he processes the fish in a small 25' x 25' leased commercial space. Housed in this space are his office, processing table, a blast freezer, and a 500-lb. a day ice machine.

He produces several different product forms for sale in both domestic and foreign markets, including frozen, portioned fillets, fresh dressed fish, a salted product, and fish in the round for sale in Korea.

JEFF BAILEY and SUE LAIRD Prime Select Seafoods
Prince William Sound Salmon
Cordova, Alaska

This two-year old company is the brainstorm of Jeff Bailey and Sue Laird who are partners and run the company as president and vice president. Most of the dozen or so boats that make up their fleet belonged to the Copper River Fishermen's Co-op which disbanded after the Exxon oil spill in 1989. They recently hired a marketing agent in Seattle to help expand their customer base, and an office manager to keep the business running smoothly out of Bailey's basement. Fishermen are paid on a weekly basis. Customers are sent invoices following shipment which means Prime Select carries the finances for up to a month before the money comes in.

Vessels fishing for Prime Select must promptly bleed the fish and layer it in ice, or hold it in RSW. Deliveries to town are prompt. Prime Select pays Cannery Row Inc., which owns the old Morpac plant, \$.46/lb. (finished weight) to custom process their fish. Prime Select sells mostly to distributors because distributors deal in large volumes and have connections in the retail market. Two distributors move about 10,000 lbs. a week to various supermarket chains. About 90 percent of Prime Select's salmon goes to the fresh market. Careful attention to quality has paid off for this company. According to the owners, more than 95 percent are No. 1 fish and customers have been willing to pay premium price for their product.

JOHN HENDRICKSON Salmon Seafoods, Inc.
Salmon Setnetter
Sand Point, Alaska

Hendrickson and his partner, John Murray, are neighboring setnet operators located on Korvin Island. They began marketing their fish together in 1994. Because they needed both a place to process their fish and a means to get it to Sand Point, they purchased a 55-foot vessel. They built a shelter deck on back where they have fresh and salt water, cleaning troughs, and a processing table. After the fish are dressed, they are chilled in totes. The boat also holds a 3,000 lb. a day ice machine. In addition to salmon, they also market cod. Fresh fish are packaged for air freight out of Sand Point. In Seattle, the fish are picked up by Hendrickson's refrigerated van and delivered to retail stores, including his own small shop recently opened in West Seattle. The frozen product is custom processed by a processor in Sand Point and shipped by barge to Seattle where it is held in cold storage for later sale. Air freight from Sand Point to Seattle is \$.53/lb. for shipments over 2,000 lb. and \$.80/lb. for less weight. Barge costs from Sand Point are generally around \$.10/lb. "These are costs you have to pay very close attention to," said Hendrickson.

Wholesale and Retail Operations

RICK CAVANAUGH Queen Anne Thriftway
Seattle, Washington

Cavanaugh is the seafood buyer for the Thriftway supermarket located in the Queen Anne section of Seattle. It is a small, upscale grocery store. Mounted over the fish counter is a large map of Alaska. Posted on the map are pictures of the fishermen Cavanaugh buys fish from; with the areas where they fish clearly marked. "This shows the buyer that we know exactly where our fish come from. It is an important part of our marketing effort because our marketing edge is that we have the freshest fish available."

Cavanaugh buys salmon, halibut, rockfish, and other species from fishermen, primarily in Southeast and Prince William Sound. All fish must be bled and iced at capture. He buys approximately 800 lbs. of salmon a week, mostly kings and sockeyes. About 60 to 70 percent of his salmon are purchased from fishermen. He regularly goes to the airport to pick up shipments of seafood from Alaskan fishermen. The remainder of his fish are purchased from distributors.

TIM FERLEMAN Operations Manager
Anthony's Seafood
Seattle, Washington

Anthony's buys about one million pounds of seafood annually for its chain of eight seafood restaurants in the Seattle area. Most seafood is purchased from processors and distributors, but is supplemented with purchases from fishermen who have proved reliable and quality-conscious. He buys only wild salmon, both fresh and frozen. He also buys shrimp, rockfish, halibut, lingcod, and crab from fishermen.

Seafood purchased from fishermen is picked up at the airport by Anthony's and delivered to their seafood plant in Seattle. There it is steamed, filleted, and delivered according to species and quantity specifications faxed to the plant by the restaurants each morning. Most fish purchased from fishermen comes from Southeast Alaska, but increasingly Ferleman has been buying from Dutch Harbor operators. Like all buyers, he gets upset when seafood arrives at temperatures over 40 degrees, is not packaged correctly, or has not been bled or dressed properly.

PETE STAFFORD Clipper Seafoods
Seattle, Washington

Clipper Seafoods is a small retail and distributor operation. Stafford buys fresh fish of many species and distributes what he can't sell at his retail operation. Like all buyers interviewed, he had no problem with gillnet-caught fish if handled correctly. He expects fishermen to demonstrate they have a system that minimizes scale loss and bruising and maximizes shelf life and yield. He expects the product to be packed in 50-lb. or 100-lb. boxes with liners and enough gel packs for it to arrive at the airport at a temperature that does not exceed 40 degrees.

PAUL WESTBERG and ART VALERA Merchandising and Retail Sales managers
Pacific Pride Seafoods
Seattle, Washington

Pacific Pride Seafoods is a large distributor located just north of Seattle. It also has processing operations in Kenai and locations on the West Coast. Pacific Pride buys many species of fresh seafood, including salmon and halibut, and is especially interested in rockfish and scallops. More than 90 percent of its purchases are from processors. Pacific Pride probably buys from fewer than ten fishermen. Like most wholesale and retail buyers, the company does not buy roe. Westberg and Valera prefer fish from ice boats over RSW.

Their biggest problem working with fishermen is lack of consistent supply. "If we buy halibut from one boat expecting 40,000 lbs. and it doesn't come through, we've just let down 100 customers."

JOHN PETERSEN Pike's Fish Market
Retail
Seattle, Washington

Buys from processors, distributors, and fishermen. Buys approximately 3,000 to 6,000 lbs. of kings, silvers, and sockeyes per week. Buys only fresh salmon. Buys approximately 2,000 lbs. a week of halibut. Also buys Alaskan crab and prawns. Will pick up at the airport or at cold storage facility.

GREG FAVRETTO FAVCO
Owner Distributor
 Anchorage, Alaska

FAVCO buys 30 to 40 percent of its seafood directly from fishermen, including salmon, cod, rockfish, shrimp, clams, and oysters. Products come from fishermen in Cook Inlet, Seward, Southeast, and Prince William Sound.

FAVCO is the largest seafood distributor in Alaska and sells to restaurants and retail operations around the state. The company buys only top quality fish which have been bled, chilled, and dressed. The seafood is portioned and repackaged to customer specifications at the FAVCO plant each morning for delivery that day. "We buy from fishermen when there is a discernible difference in quality. We do not buy from fishermen to get a better price," says Favretto. "Our customers are in a competitive business, just like us. If they can't pass the increased cost of premium quality seafood on to their customers, they can't pay us more for the product and we can't pay fishermen more for it. So the difference in quality has to be real, not some marketing razzmatazz."

CHAPTER II

Electronic marketing: selling over the Internet

Craig Wiese, University of Alaska Sea Grant
Marine Advisory Program

The Internet is the most significant new mass communications medium since television and has huge potential as a vehicle of commerce. New businesses and individuals are jumping on the Internet bandwagon in unprecedented numbers. At this stage of development, it has important limitations as a place to sell products, but individual fishermen, small processors, and large processors all can find worthwhile opportunities to market their products and expand their customer base on the Internet.

Currently, the most prevalent seafood services on the Net are those offered by operations like Seafood On-Line of Los Angeles the Seafood Exchange of Redondo Beach California, and FIS International Co. Ltd of Tokyo. Seafood companies pay these firms to post their latest product prices, inventories and other information so shoppers around the world can see what they've got in the click of a mouse. A Seattle company, Innovative Internet Marketing Systems Inc. (IIMS), actually allows clients like the Alaska Smoked Salmon Company to sell on-line at a retail level via credit card. FIS and IIMS also provide links to NMFS, NOAA, Sea Grant and other seafood and fishing-related information agencies.

Things to Know About the Internet

- The Internet is simply a transport system. There is no beginning and no end, just a transport mechanism that connects tens of thousands of small and large computer networks in the same way that highways connect small and large communities.
- No traffic cops police this highway. No one controls it, and there are no official rules and regulations about what or how individuals can communicate over the Net. This may change as efforts by some governments to censor pornography succeed.
- An unwritten code of conduct has evolved which is enforced by the community of Internet users at large. When one violates these standards, they are “flamed”—they receive burning messages explaining their transgression.
- The Internet is open to any topic, but everything has its place on the Net, whether it is selling a product, sharing cooking secrets, or discussing the mating habits of hummingbirds. People are reprimanded by other users for trying to insert information or advertising in the wrong place.
- Distance is meaningless on the Net. There are no long distance charges and no significant time delays associated with sending or receiving information to or from the far corners of the globe.
- It's not easy to find things on the Internet. There is no table of contents or complete index of Net users and businesses.
- Graphical (picture) and sound files transmit very slowly from the Internet to computers using modems. The speed problem is likely to be with us until existing residential telephone lines are replaced with fiber optic lines, or high speed, multiple cable phone lines can be economically installed in homes, or computer information is transmitted over television cable.
- The Net provides several basic tools to send, receive, find, organize, and generally manipulate information. Those listed below, in no order of importance, are the ones to concentrate on:
 1. **E-mail:** This is the most basic function provided by the Internet and the one used by most people. One of the great features of e-mail from a marketing standpoint is something called a “mailbot” (for e-mail robot) or “autoresponder,” which allows a

prepackaged set of information about your company and/or products, including an order form, to be automatically forwarded to any customer who sends a message to the autoresponder e-mail address.


2. **USENET Newsgroups:** Newsgroups are ongoing forums or discussion groups that focus on a specific topic. There are over 10,000 newsgroups devoted to every topic imaginable. Newsgroups are a way for an owner or employee of a small business to create goodwill and good public relations with a group of people who may be potential customers, and also are good for getting consumer input on product forms and packaging. It is inappropriate to promote, or sell your products in a news group discussion, but it's all right to point someone to a source of supply.
3. **Mailing Lists:** These are just what the term implies. A business may want to get on the mailing list of organizations that provide products, or services that the business uses to produce its own products. Or it may want to get on the mailing list of organizations that do research which can improve the product that is produced.

Alternatively, a business may want to establish its own mailing list so that current or potential customers, who learn of the mailing list address from an autoresponder or other promotional medium, can get promotional and informational materials about your products.

4. **Gopher:** Gopher is a search and retrieval system. It is a nested menu-driven tool for finding information that is housed at private and public institutions and other Internet nodes (including many Internet access providers) all over the world. Gopher is great for doing research, but it is not as good as the World Wide Web for marketing and selling products.
5. **World Wide Web:** The "Web," as it is commonly called, is another search and retrieval system like Gopher, but with some major differences. The Web can retrieve and display picture and sound files as well as text and it is "hypertext" driven, not menu driven. Hypertext linking allows one to point and click on a highlighted word in a page of text, or a Web home page which then retrieves another file related to that word. The new file has more highlighted, or "hot link" words which link to more files and so on, seemingly forever. The files linked to hypertext words may be located at network sites scattered all over the world.

The Web is becoming the Internet tool of choice of most new businesses coming on-line because of its look and ease of use, and because of the hype about the Web in print and television media.

Consumer Networks

 Consumer on-line networks are part of the Internet, but separate. The Internet is a network of networks. The vast majority of these are open to the public and can be accessed from any other network anywhere in the world. A few networks are proprietary, including the consumer-oriented commercial networks. The big three are CompuServe, America Online, and Prodigy. All provide about the same broad mix of consumer oriented services, including e-mail, an on-line shopping mall, and access to the Internet.

Each of the commercial networks allows members to send and receive e-mail via the Internet, meaning that members can exchange messages with anyone anywhere on the Net. That does not apply to other services they provide, however, such as access to their shopping mall, sports news, financial information files, or special interest group forums. A feature of the commercial networks is that their services and the information in those services are well organized and cataloged. It's a lot easier to find things on a commercial network than on the Internet.

When planning a strategy for marketing on-line, check out the cost and convenience of doing business on the commercial networks as an option because they are consumer friendly and will probably continue to keep a large customer base of several million people.

Finding an Internet Access Provider

Before deciding if Internet selling is right for you, you'll want to use the Net for a few months to check it out. Hooking into the Internet is done through an "Internet access provider." These are firms that have sprung up across the nation and world which connect individual users and businesses to the main Internet highway. They are similar in function to long distance telephone companies. The large commercial on-line networks, including CompuServe, America Online, and Prodigy also provide access to the Internet.

There are several points to consider when shopping for an access provider, including cost, connection speed, telephone trouble shooting support, the frequency of busy signals, and extra services. Avoid shopping on cost alone because technical support and Internet marketing advice and assistance can be valuable parts of an access provider's total package.

In the major population centers of Anchorage, Juneau, Kenai/Soldotna, and Fairbanks, local access providers charge a flat monthly fee of \$20 to \$28. Flat rate means unlimited access to the Net and no additional fees for any reason, except for specialized service such as creating a home page.

The major on-line networks also have local access connections in Alaska's largest communities and some of the smaller ones. You'll need to call them (they advertise in computer magazines) to learn if they connect to your city or town. All of the on-line services have a flat rate of about \$10 per month and most have additional hourly rates that vary from \$1/hr. to \$4/hr. depending on the user plan one selects.

In the communities in Alaska where there is no local Internet access, there are four options of connecting with a provider:

- A. Call long distance into one of the providers in a major city and incur normal long distance charges in addition to the provider's rate.
- B. Connect to one of the dozen or so providers nationwide who have an 800 number. Comparison shopping is advised with this group because rates vary considerably.
- C. Sign up with an access provider in a major Alaska city who can connect to rural communities through AlaskaNet (an Alascom affiliate). AlaskaNet charges an hourly connection fee of \$4/hr. or \$2, depending on time of day, that is in addition to the provider's flat monthly rate.
- D. Join one of the commercial on-line networks and connect using their 800, Watts, or AlaskaNet line. An hourly charge of \$2 to \$6 is usually assessed in addition to other fees.

Marketing on the Net

Finally, it's time to form a broad plan for marketing on the Internet. What follows builds upon two major points:

1. The World Wide Web should be the focal point of an Internet marketing effort because this is where the most consumers are, where the preferred locations are to position your company for visibility, and because it has plenty of search tools for consumers to find you.
2. Successful on-line marketing must integrate the Web, other Internet resources, and non-Internet marketing tools. The marketing plan should combine a variety of marketing tools that all point to your Web site.

Web Presence: The first step is to establish a “home page” and associated product and information pages on your access provider’s server. Succeeding steps involve listing your company in electronic shopping malls, Web directories, and on search “engines.”

Home Page: A home page is a World Wide Web feature. It is the introductory page, or main menu, so to speak, displayed by an individual or business on their Web file. The home page contains hot link words which are choices that lead to other pages of information. For a business, the other pages typically contain information about the business itself, or its products. Ask your Internet provider or a computer consultant for help with creating a home page.

You may need more than one home page depending upon your mix of products and the different markets that you hope to target. For example, a producer of seafood products may want to develop markets in one or more foreign countries, or target different ethnic groups in the U.S. If so, it makes sense to have separate home pages done in the appropriate languages. A charter boat operation which does both sport fishing and wilderness sightseeing trips might want more than one home page. Each would emphasize different aspects of a trip and the advertising for these home pages would be placed in different locations on the Web.

Pointing to Your Home Page: Advertising on the Web brings us to the next step in the on-line marketing plan, which is to point people to your home page. There are two main thoughts here:

1. Include carefully selected key words in your home page, particularly the title.
2. Get listed in on-line malls, directories, and search engines.

Key Words: The importance of key words is that they are central to being found when someone is searching the Net for a product you sell. If you sell Alaska salmon products and other seafood, then it is smart to get those words on your home page, especially the title, even if they are not in your company name. If you sell smoked salmon products and the fish are from Alaska, a home page title that reads “Alaska Gourmet Salmon” might put you at the top of the food merchant list.

“Search engines” (see below) on the Web scan an entire home page for key words. Consequently, it is not important that all key words relevant to your company and products be squeezed into the title.

Directories: Start with the Yahoo Business Directories list at <http://www.yahoo.com/Business/Directories>, and the InterNIC Directory of Directories at <http://www.Internic.net/ds/dsdirofdirs.html>. Incidentally, the Web is sensitive to upper and lower case in addresses so type them as you see them. Once you’ve identified the directories and their Web addresses, getting listed is merely a matter of finding the place in the directory (usually at the end) where you are asked if you want to be listed, and following the instructions.

Search Engines: There are only a handful and finding them is as easy as clicking on the “search” button of your Web browser. They’ll be listed as search options. Infoseek, Lycos, and Webcrawler may be the most common options. Search engines, like directories, allow you to enter information that points to your home page and e-mail addresses.

Malls/Marketplaces: Getting listed in malls is relatively straightforward, although there are many. Advertising in some malls is free and in others it can run into thousands of dollars per year. Free malls allow a brief statement that includes room for the name of your company, or title of your home page, a few words explaining what you sell, and room for electronic e-mail and Web addresses, and, in some cases, telephone numbers. Malls that charge a fee allow more advertising copy.

Although advertising widely is desirable, not all of the malls are appropriate for what you want to sell, and some may just not be appealing even if they are affordable. You’ll simply have to study them to judge which have the right combination of appearance, cost, consumer traffic, and other businesses (similar and competing) to suit you.

Two final points about getting listed in a variety of places:

1. Ask your access provider to help you get your domain name (your home page address) registered with InterNIC Registration Services. It's like registering a business name to ensure that there isn't another just like it.
2. Keep track of all of the places that you are listed. You'll need to make changes in these listings if your home page address or e-mail address change (for example, you decide to change access providers), or other information is modified or becomes obsolete.

Integrating the Marketing Effort

Internet Tools: The essence of integrated marketing is making everything work together. Key words and listings in malls, directories, and search tools that help people find your product list and order form are part of the integrated marketing package. Weaving other Internet tools into the marketing mix, such as e-mail autoresponders, mail servers, and news groups, can help boost sales.

Remember that two-thirds of the people who use the Internet use it for e-mail only. Those e-mail users who discover your company from a brochure, or in some way besides the Web, can get more information about products and prices, along with an order form from your autoresponder file. The autoresponder should include your telephone and fax numbers in addition to the company home page address.

A convenient way to add to your e-mail mailing list is to arrange with your access provider to capture the Internet addresses of visitors to your home page or e-mail autoresponder. The mailing list can then be used to send promotional material a couple of times a year to people whom you know have had an interest in your products even if they haven't yet made a purchase. Autoresponders and mail lists are important components of a broad-based marketing effort, and they are forms of mass communication that require relatively little effort for the number of people reached. They also reduce postage costs.

News group participation, as stated earlier, is a way to nurture a relationship with folks who may be potential customers. Join one or more news groups that relate in some manner to your products. This is a time-consuming way to gain customers, but it can also be entertaining and instructive. Promoting products in a newsgroup is generally verboten, but noting that your products are available when someone is looking for a source is simply being helpful.

Non-Internet Tools: Internet users, not to mention World Wide Web users, represent a small percentage of the buying public. People who shop on the Internet are an even smaller subset of the consumer population. Traditional marketing methods should remain the major part of your marketing plan until your Internet efforts have proven themselves. Integrate the two by having your Internet home page and mail advertisements list the telephone and fax numbers people can call for more information, a brochure, or to place an order. Your business card, letterhead stationery, brochures, trade show handouts, and other forms of business identity should list your e-mail and home page addresses.

Conclusion

Doing business on the Internet is a new game with lots of growing pains. The Net is the most significant new mass communications medium since television, but only a small percentage of the population uses it for shopping. Optimists predict that sales growth will skyrocket over the next few years, and they may be right. Maybe now is the time to give it a try. The cost of setting up shop on the Net is relatively low, and the labor or time requirement for maintaining an effective presence is not large, although you've got to tend it on a regular basis. It's a chance to get in at the beginning of a new wave and have all of the problems worked out by the time it crests. And if things don't work out, you haven't lost much.

References

In June 1995, the largest book store in Anchorage had 222 books about the Internet. Anyone wanting to learn more about the Net has ample opportunity. Two books about doing business on the Net are highly recommended as starters:

- Making Money on the Internet by Alfred and Emily Glossbrenner. McGraw-Hill, Inc., 1995.
- Marketing on the Internet:Multimedia Strategies for the World Wide Web by Jill H. Ellsworth and Matthew V. Ellsworth. John Wiley & Sons, Inc., 1995.

The Internet environment is changing very rapidly, particularly the World Wide Web. To stay even half-way current, one has to subscribe to one or more Internet magazines. If you live in an area where Internet publications are hard to come by, send a letter to the subscription office at:

Internet World
P.O. Box 713
Mt. Morris, IL 61054

It's well done and should suffice until you have a chance to review them all.

Glossary

Glossary of Seafood Business Terms

Accrued expenses - An expense incurred but not yet paid.

Amortization - The gradual reduction of a debt by means of periodic payments sufficient to meet current interest and extinguish the debt at maturity.

Assets, capital - Those assets which are not readily convertible into cash and in the ordinary course of business are not so converted, more often termed fixed assets.

Assets, liquid - Those assets, generally current, which may be quickly turned into cash.

Break-even analysis - A method used to determine the point at which the business will neither make a profit nor incur a loss. That point is expressed in either the total dollars of revenue exactly offset by total expenses; or in total units of production, the cost of which exactly equals the income derived by their sale.

Broker - An agent who sells a product for the owner, for commission. Usually brokers do not buy product or acquire any ownership. Fees usually are 3 percent to 5 percent of the sales price.

Business plan - An objective, written review of your business to identify areas of weakness and strength, pinpoint needs, and begin planning how you can best achieve your business goals.

Cash flow - The sources and uses of a company's cash funds over a designated period.

Cash position - The percentage of cash to total net assets indicates relative cash positions. It includes cash and United States government securities, and is the net amount after deducting current liabilities.

CIF - Cost, insurance, freight. The price an importer or wholesaler pays for fish which has been processed, and for which insurance and freight fees have already been paid. It is processor cost plus freight and insurance.

C&F - Cost and freight. Same as above but without insurance paid.

Collateral - Property that is pledged as security by a borrower to a lender as assurance that a loan will be repaid. It may be a tangible item such as a vessel or a piece of land and building, or it could be intangible such as a trade receivable owed to you, or both.

Corporation - A form of business organization that may have many owners with each owner liable only for the amount of his investment in the business. It is an artificial person created by state or federal law. As defined by the Supreme Court of the United States, "a corporation is an artificial being, invisible, intangible, and existing only in contemplation of law."

Current assets - Those assets which are readily convertible into cash without substantial loss; included are cash, investments, notes and accounts receivable, and inventories.

Current liabilities - Those obligations ordinarily intended to be paid in the usual course of business within a relatively short time, normally within a year, out of earnings.

Current ratio - The ratio of current assets to current liabilities, indicating the ability of a business to pay its current liabilities in cash as they fall due.

Custom processing - Service provided for a fee on products owned by a customer other than the processor. Custom processing could be as little as washing and boxing, or as complex as portioning, smoking, and vacuum packaging.

Debt capital financing - Money borrowed with the intention of paying it back plus interest.

Debt to worth ratio - A ratio of your business' total liability to its net worth.

Depreciation - Expiration in service life of fixed assets, other than wasting assets, attributable to wear and tear through use and lapse of time, obsolescence, inadequacy, or other physical or functional cause.

Distributor/wholesaler - An agent who buys large lots of product and then sells small quantities to many food service or retail outlets.

Dividends - The proportion of the net earnings of a corporation paid to the stockholders as their share of the profits.

Eastern cut - Fish product form with head removed but collar left on.

Entrepreneur - One who assumes the financial risk of the initiation, operation and management of a given business or undertaking.

Equity - The monetary value of a property or business which exceeds the claims and/or liens against it by others.

Equity capital financing - Money given to your business, without the intention of paying it back, in return for part ownership in your business.

Export - Sent outside the country of origin.

Ex-vessel - The price paid to fishermen for raw (unprocessed) fish.

Food service industry - The group of food providers that includes restaurants, and cafeterias in establishments like schools, hospitals, nursing homes, prisons, and businesses.

FOB - Free on board. A term used in a sales agreement which specifies that the buyer is responsible for all transportation costs including freight and insurance from the location designated on the shipping document.

Glaze - A solution applied to a frozen product designed to seal the surface and protect it from dehydration and oxidation.

Guaranty - A written commitment by an individual or authorized legal entity to pay back a loan in the event the borrower is unable to do so.

HACCP - Hazard Analysis Critical Control Point. A seafood safety assurance plan based on identifying and monitoring those points in the processing system where contamination could occur.

H&G - Headed and gutted.

IFQ - Individual fishery quota

IQF - Individually quick frozen.

Inventory - The amount of product currently kept in storage ready for sale. Carryover is inventory at the beginning of a new season which remains from the previous season.

Leverage - The relationship of other people's money (debt) in relation to your own investment (equity) in your business.

Liquidity - Solvency of a business; the degree of readiness in which assets can be converted to cash. If assets cannot be converted into cash to meet current liabilities, the firm is said to be illiquid.

Management - The administration and policy makers of a business; those responsible for planning goals and objectives.

Market - The number of people and their total spending (actual or potential) for your product line within the geographic limits of your geographic ability.

Marketing - The business of tailoring the right mix of product form, price, and promotion to a specific segment of the population to meet a sales goal.

Market niche - A segment of the population that buys a certain product because it suits their needs in terms of product form, price, packaging, and promotion style.

Metric ton - 2,200 pounds

Net worth - The excess of the assets of an individual or an enterprise over all his, her or its liabilities.

Niche market - A small group of consumers, defined by ethnicity, geography, or some other feature, that allow them to be targeted by a sales effort for a small quantity of product.

Partnership - Two or more persons who are associated in order to pursue a business for profit.

Portion - A piece of fish (e.g., steak or piece of fillet) which is cut to a specific and uniform weight.

Princess cut - Gilled and gutted, with the throat latch left intact.

Processing yield - Processed weight divided by the original whole fish weight. The result is given as a percentage.

Pro forma - A projection or estimate of what may result in the future from actions in the present. A pro forma financial statement is one that shows how the actual operations of the business will turn out if certain assumptions are realized.

Profit - The excess of the selling price over all costs and expenses incurred in making the sale.

Receivable - An asset in the form of an amount which is due from a borrower.

Recovery rate - The percentage of round fish weight which remains after processing.

Retro - A payment to fishermen as a bonus or incentive which is above, and usually comes later than, the grounds price settlement.

Rigor mortis - Literally "stiffness of death" is the muscle tension which occurs some hours after a fish expires. Product processed and frozen pre-rigor is generally higher quality when it thaws.

Round - Whole. Round fish is whole, unprocessed fish, and round fish weight is the total weight of the catch before heading and gutting, and grading or culling inferior grade fish.

Sole partnership - Ownership by one person of an entire business.

Surety bond - A cash deposit, pledge of property, or insurance policy which is forfeited if the entity posting the bond fails to comply with requirements for which it is posted, such as remitting taxes, paying employees, or performing the contracted service.

Tramper - A cargo ship which is chartered by voyage rather than running on a scheduled route. Trampers are commonly chartered to transport Alaska fish to Japan at the end of the season.

Uni - Sea urchin gonads.

Value added - Further processing or packaging of a product which causes the product to sell for a higher cost.

Vertical integration - A form of corporate ownership whereby the same company owns several levels of the production and distribution system. An example would be a fisherman who also processes, ships and sells his own product.

Wholesale price - The price paid by restaurants and retailers, and food service establishments. Not to be confused with the “first wholesale” or “producer” price, which the processor receives.

Appendix A

Alaska Regional Development Organizations

ANCHORAGE ECONOMIC DEVELOPMENT CORPORATION

Patricia DeMarco, President
550 West 7th Avenue, Suite 1400
Anchorage, AK 99501
Phone: 258-3700 Fax: 258-6646

ARCTIC DEVELOPMENT COUNCIL

Don Schindler, Executive Director
P.O. Box 1353
Barrow, AK 99723
Phone: 852-4146 Fax: 852-2683

COPPER VALLEY ECONOMIC DEVELOPMENT COUNCIL

Donna Tollman, Executive Director
P.O. Box 9
Glennallen, AK 99588
Phone: 822-5001 Fax: 822-5009

KENAI PENINSULA BOROUGH ECONOMIC DEVELOPMENT DISTRICT

Stan Steadman, Executive Director
P.O. Box 3029
Kenai, AK 99611
Phone: 283-3335 Fax: 283-3913

LOWER KUSKOKWIM ECONOMIC DEVELOPMENT COUNCIL

Carl Berger, Executive Director
P.O. Box 2021
Bethel, AK 99559
Phone: 543-5967 Fax: 543-2255

LOWER YUKON ECONOMIC DEVELOPMENT COUNCIL

Susan Anderson, Executive Director
P.O. Box 2021
Anchorage, AK 99658
Phone: 271-2424 Fax: 271-3951

MAT-SU RESOURCE CONSERVATION AND DEVELOPMENT, INC.

Douglas Smith, Executive Director
351 West Parks Highway, Suite 100
Wasilla, AK 99654
Phone: 373-1062 Fax: 373-1064

NORTHWEST ARCTIC BOROUGH ECONOMIC DEVELOPMENT COMMISSION

Jeff Hadley, Executive Director
P.O. Box 1110
Kotzebue, AK 99752
Phone: 442-2500 Fax: 442-2027

PRINCE WILLIAM SOUND ECONOMIC DEVELOPMENT COUNCIL

Paul Roetman, Executive Director
P.O. Box 2353
Valdez, AK 99686
Phone: 835-3775 Fax: 835-5770

SOUTHEAST CONFERENCE

Berne Miller, Executive Director
124 West Fifth Street
Juneau, AK 99801
Phone: 463-3445 Fax: 463-4425

SOUTHWEST ALASKA MUNICIPAL CONFERENCE

Mary Stadum, Executive Director
3300 Arctic Boulevard, Suite 203
Anchorage, AK 99503
Phone: 562-7380 Fax: 562-0438

Appendix B

STATE OF ALASKA Department of Environmental Conservation SEAFOOD PROCESSORS PERMIT APPLICATION

Annual completion of this form will satisfy the application requirements of the Alaska Department of Environmental Conservation (ADEC) for authorization to operate a seafood processing facility. Submittal of a complete application will enable ADEC to determine which, if any, approvals and permits are necessary for a specific operation. A seafood processing permit is required for:

All fish or fishery product processors, shrimp, crab and bivalve shellfish processors, growers, harvesters, packers or repackers of bivalve shellfish.

In addition, the following permits may be required depending on the specific type and method of operation:

*Plan Review and Approval of Sewage or Sewage Treatment Works
Wastewater Disposal Permit
Plan Review and Approval of Public Water Systems
Food Service Permit
Air Quality Control Permit to Operate
Solid Waste Management Permit
NPDES Permit*

In most cases, these permits and approvals can be issued on the basis of information provided in a complete application. The Department will contact an applicant if additional information is needed. UP TO 60 DAYS MAY BE REQUIRED TO PROCESS THIS APPLICATION. THEREFORE, IT IS SUGGESTED THAT THE APPLICATION BE SUBMITTED AT LEAST THREE MONTHS BEFORE AN OPERATION'S ANTICIPATED START-UP DATE. The permits which ADEC will issue authorize the work described in this application. Changes in your operation will require another application to describe the changed operation and may result in amended permits.

INSTRUCTIONS

1. Type or print responses in ink. If a question does not apply to your operation, indicate this with "N/A". If space provided on the form is inadequate for your written response, please use an additional sheet of paper. All blanks on the application must be filled in to be considered complete. An incomplete application will be returned to the applicant.
2. Applicants for new or recently modified operations must furnish the following plans and specifications for their plant or facility.
 - a. **PLOT PLAN** (for land based operations only)
Submit a drawing of reasonable scale (1"=8 feet or larger) showing the entire premises and the location of all buildings, roadways, alleys, dock areas, streams, catch basins, water wells, reservoirs, storage tanks, septic systems, and solid waste storage areas. Indicate the character and surfacing of all traffic areas and drainage features of the premises. Show the North point of the compass.
 - b. **VESSEL PLAN** (for vessel based operations only)
Submit complete and accurate drawings of a reasonable scale (1"=4 feet or larger) showing overall dimensions of the vessel.
 - c. **FLOOR (OR DECK) PLANS** Submit floor (or deck) plans for each floor and all buildings or for all areas of the vessel. Essential information required on plans includes: location of walls (bulkheads), partitions, doorways, posts, windows (port holes); floor drainage openings and gutters; principal pieces of equipment; hot and cold water outlets, water hose connections, and facilities for cleaning and sanitizing utensils and equipment; handwash facilities, employee work positions; storage or holds (dry, cold, chemical, etc.), shelves and racks; conveyors, chutes, ramps, stairways, and ventilation fans; lockers, benches, lavatories, urinals, and toilets. Additional information to be included on the drawings are the name, use, temperature, and ceiling height of each room, and number of employees to use each welfare and toilet room. Floor (or deck) pitch to drains and/or gutters should be indicated by grade lines and/or arrows.
 - d. **PLUMBING PLAN** Submit plumbing plans or incorporate them into the floor plan if the information can be shown clearly by using color coded lines. For each plumbing system (potable water system - both domestic and processing system if separate; seawater system for processing and equipment washing; non-potable water system; and domestic and processing waste systems) show the following:
Intakes, lines, flow volumes, treatment equipment, location and size of holding or storage tanks, outlets and backflow protectors, drains, gutters, grinders, screens, outfalls, and diffusers.
 - e. **MISCELLANEOUS PLANS AND SPECIFICATIONS** Submit the following information either by incorporating it into the floor or deck plans or by submitting additional pages:
A finishing schedule which identifies composition (for example gypsum board, concrete, marlite) and type of finish (for example, specifications for paint, epoxy, fiberglass) to be used on wall, floor, partition, and ceiling surfaces; manufacturer's specifications or complete description of principle pieces of equipment (dimensions, materials, horsepower); location, type and size of all lighting fixtures, as well as shielding to protect against breakage and falling glass; location and type of ventilation and insulation utilized to control excessive steam, vapors, fumes, and condensation; methods and means used for control of insects and rodents (for example, screen doors, air curtains, traps and baits, types of application of pesticides); type, size, and location of solid waste containers, as well as method and frequency of waste disposal
 - f. **NARRATIVE DESCRIPTION OF PROCESSING OPERATION** Submit a narrative description of the processing operation describing concisely the steps involved in the movement and processing of the product from receipt or raw materials to departure of finished product from the premises. A flow chart is useful in the review process.
 - g. **LABELING INFORMATION:** Product labels must contain the following: Company name and address, product name, net weight, date of packing, AK number, ingredients statement (if indicated), and product holding statement.
3. Submit this completed application, as well as requests for assistance in completing the application, to:
SEAFOOD PERMIT COORDINATOR, DIVISION OF ENVIRONMENTAL HEALTH, DEPARTMENT OF ENVIRONMENTAL CONSERVATION
555 CORDOVA STREET, FIFTH FLOOR, ANCHORAGE, ALASKA 99501, TELEPHONE (907) 269-7501 FOR FURTHER INFORMATION OR ASSISTANCE
4. Submit a copy of this application to:
Chief of Water Permits, Environmental Protection Agency, Region X
1200 6th Avenue, Seattle, Washington 98101



STATE OF ALASKA
DEPARTMENT OF ENVIRONMENTAL CONSERVATION
SEAFOOD PROCESSORS PERMIT APPLICATION

Incomplete Applications will NOT be accepted. Insert N/A if not applicable.

A. 1. GENERAL INFORMATION 1		
Company Name	Plant/Vessel Name	
Home Office Mailing Address	Telephone	
Plant Mailing Address	Telephone (Radio Telephone)	
Previous Facility Name	Date of Purchase	Fax
2. Principals/Owners		
President/Owner	Plant Manager/Superintendent	
Vice-President/Partner	Quality Controller	
Secretary/Treasurer	Plant/Vessel Owner (If different from company named above)	
3. Location (Stationary facilities including seasonally moored vessels)		
Latitude and Longitude of Location/Receiving Waters		
Layman's Description of Location		
4. Vessel Information		
USCG Vessel Registration Number or Documentation Number	Length of Vessel	
5. Permits/Authorizations Previously Issued (Indicate as appropriate)		
Permit to Operate a Seafood Processing Plant - AK Number: _____ <input type="checkbox"/> New <input type="checkbox"/> Unknown		
Sewage Plan Reviewed and Approved - Date: _____ <input type="checkbox"/> USCG Approved System		
<input type="checkbox"/> Engineer's Plans Attached		
Public Drinking Water Supply Approval - Number: _____ <input type="checkbox"/> Engineer's Plans Attached		
Waste Water Disposal Permit - Number: _____ <input type="checkbox"/> No Discharge <input type="checkbox"/> Engineer's Plans Attached		
Air Quality Control Permit - Number: _____ <input type="checkbox"/> Specifications of Source		
Solid Waste Management Permit - Number: _____ <input type="checkbox"/> Specifications of Site		
EPA Permit - Number: _____ <input type="checkbox"/> Applied For		
Food Service Permit Number: _____ <input type="checkbox"/> New <input type="checkbox"/> Plans Attached (see item 8)		

CONTINUED ON FOLLOWING PAGE

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F. 12. WASTE DISPOSAL 1

Check method for disposal of sewage (toilet, shower, kitchen and bathroom sink waste):

- ☐ Septic System (Describe) _____
- ☐ Package Treatment Plant (Type) _____
- ☐ Lagoon (Describe) _____
- ☐ Municipal System (Name) _____
- ☐ USCG Approved System (Type) _____
- ☐ Holding Tank (Size) _____ Distance From Shore When Discharging _____
- ☐ Depth of Discharge (if Applicable) _____
- ☐ Other (Describe) _____

Check method(s) for disposal of process waste (gurry, fish heads and entrails, carcasses, shells, etc.)

- ☐ No Treatment (Describe) _____
- ☐ Grinder (Type) _____ To what size is waste ground _____
- Depth of Discharge Below Mean Lower Low Water _____
- ☐ Screen Waste ☐ Reduction Plant ☐ Barge to Approved Dumping Site
- ☐ No Processing Waste Discharge ☐ Other (Describe) _____

Check method of disposal of domestic solid waste (kitchen wastes, cardboard, damaged cans)

- ☐ Incinerator — Rated Capacity, lbs./hr. _____
- Describe Construction _____
- ☐ Municipal Solid Waste Facility (Name and Location) _____
- ☐ Private Solid Waste Facility (Name and Location) _____
- ☐ Other (Describe) _____

G. 13. ICE AND REFRIGERATION

Identify method(s) used to maintain or reduce temperature of product upon receipt at facility: _____

If ice, ice production capabilities (tons/24 hours) _____ Source of ice _____

Storage capacity for ice (tons or cubic feet) _____

Method of storage _____

H. 14. SUBMITTALS

Check Additional Information being submitted:

- ☐ Facility Plans and Specifications (Part 2 a-e of Instructions)
- ☐ Narrative Description of the Processing Operation (Part 2f of Instructions)
- ☐ Can/Package Code Sheet (Part 2g and Section B of Application)
- ☐ Copy of this Application has been submitted to the Environmental Protection Agency (Part 4 of instructions)

I. 15. SIGNATURE

I certify that the information contained herein is true and correct to the best of my knowledge.

Signature of Responsible Official Principal/Owner (see item #2)

Date

Printed or Typed Name

Title

Mail completed application and any supporting documents to:

SEAFOOD PERMIT COORDINATOR, DIVISION OF ENVIRONMENTAL HEALTH
DEPARTMENT OF ENVIRONMENTAL CONSERVATION
555 CORDOVA STREET, FIFTH FLOOR, ANCHORAGE, ALASKA 99501
TELEPHONE (907) 269-7501 FOR FURTHER INFORMATION OR ASSISTANCE

Page 4

STATE OF ALASKA
DEPARTMENT OF ENVIRONMENTAL CONSERVATION
DIVISION OF ENVIRONMENTAL HEALTH

SEAFOOD PERMIT FEE SCHEDULE

Name of Facility/Vessel	Name of Company
Facility Mailing Address (if different than Company)	Company Mailing Address
Facility City / Zip Code	Company City / State / Zip Code
Facility Phone	Company Phone
Facility Fax	Company Fax
AK Number	
Purpose (check one) <input type="checkbox"/> New <input type="checkbox"/> Annual Renewal	
Applicant's signature	Date:

<p><u>SHELLFISH</u></p> <p>1. <input type="checkbox"/> Harvester \$ 25</p> <p>2. <input type="checkbox"/> Shipper \$ 25</p> <p>3. <input type="checkbox"/> Re-packer \$ 50</p> <p>4. <input type="checkbox"/> Packer \$100</p> <p><u>SHELLFISH SITE CERTIFICATION</u></p> <p>1. <input type="checkbox"/> Initial certification \$325</p> <p>2. <input type="checkbox"/> Recertification \$150</p> <p>3. <input type="checkbox"/> Prorated site certification % X fee =</p>	<p><u>PROCESSOR</u></p> <p>1. <input type="checkbox"/> Vessel < 65' \$100</p> <p>2. <input type="checkbox"/> Vessel > 65' \$200</p> <p>3. <input type="checkbox"/> Landbased < 5000 lbs./day \$125</p> <p>4. <input type="checkbox"/> Landbased > 5000 lbs./day \$325</p> <p>5. <input type="checkbox"/> Cannery < 5000 lbs./day \$175</p> <p>6. <input type="checkbox"/> Cannery > 5000 lbs./day \$325</p> <p>AMOUNT REMITTED WITH APPLICATION \$ _____</p>
Approved	Date

PLEASE COMPLETE THIS FORM AND RETURN IT WITH REMITTANCE AND APPLICATION.

Appendix C

Box Insulation Values and Gel Pack Effectiveness

Two factors which influence temperature control during transit are the insulation level of the container and the value of gel packs. Product quality depends on minimizing the temperature rise during shipment. What is the insulation, or R value of wetlock, or styrofoam boxes? How useful are gel packs in keeping fish cold? In recent tests, shipping containers were evaluated for their insulation rating and gel packs for effectiveness.

Box Insulation Values

Fifty pounds of salmon, prechilled to 32 degrees F, were loaded into wetlock boxes, one uninsulated and the other insulated with a 3/8-inch styrofoam insert. The boxes contained no gel packs and were held at 60 degrees F. The temperature of the fish in the uninsulated wetlock box rose to 40 degrees F after 6 hours. In the insulated wetlock box, the temperature rose to 40 degrees F in 12 hours. Adding insulation doubled the maximum transit time for the product. With the data from these experiments, R values were calculated. Similar tests were done on styrofoam boxes ranging from 25 to 125-lb. capacity.

The R values of wetlocks, insulated wetlocks, and styrofoam boxes are presented in Table B-1. Adding styrofoam to any container is very effective in maintaining temperature. Generally, the styrofoam boxes have better insulation characteristics than wetlock. The thicker the wall of the styrofoam box, the higher the R value. The effect of shipping insulated containers is shown in Table B-1.

Table B-1. R values for shipping containers.

Box	R Value		Box Wall Thickness
	Average	Range	Range
50# Wetlock	3.12 hrs.	2.76 - 3.32	3/8 - 5/8"
50# Insulated Wetlock	4.18 hrs.	3.77 - 4.32	3/4 - 1"
25# Styrofoam Box	4.20 hrs.	3.74 - 4.61	3/4 - 7/8"
50# Styrofoam Box	6.31 hrs.	5.51 - 7.16	7/8 - 1"
100# Styrofoam Box	6.45 hrs.	5.80 - 7.12	1 - 1-1/4"

Gel Pack Effectiveness

The positive effect of gel packs have also been tested. This test was similar to the box insulation test, except that 1.5 lb. gel packs were placed in the top and bottom in each container. The gel packs were effective in intercepting heat and slowing the warming of the product. In about nine hours, the product warmed from 32 degrees F to 40 degrees F with gel packs in the uninsulated wetlock. This was a 50 percent increase when compared to the box without gel packs. The temperature inside the insulated wetlock with gel packs rose to 40 degrees F in a little less than 21 hours, a 75 percent increase in storage time.

These studies indicate the use of styrofoam insulation and gel packs greatly extend the time seafood can be kept at acceptable temperatures. This becomes important as consumers demand higher quality fish.

Appendix D

Prechilling Systems

The systems used for chilling fresh fish prior to air shipment include chilling rooms, refrigerated vans, cold storage blast freezers, slush ice, flake ice, and Chilled Sea Water (CSW) tanks. These systems can be classified as dry chilling (chilling rooms, vans, and blast freezers) and liquid chilling (slush ice and CSW). Each has its own advantages and disadvantages.

Dry Chilling

Dry chilling methods consist of putting the product in a cool room, refrigerated van, or blast freezer until the temperature is reduced to 32 degrees F, or slightly lower. This system has several disadvantages that may reduce product quality. Cooling is slow because air has a low heat transfer coefficient. Air circulation in vans and blast freezers can dry the product surface, causing weight loss, and dehydration. Using blast freezers for product cooling is discouraged because partial freezing can occur and damage flesh texture. For the small shipper, these systems are expensive since they require mechanical refrigeration and adequate space for the cooling rooms. But they can be effective if the product is properly protected and carefully monitored.

Liquid Chilling

Liquid systems are more suitable for chilling fresh seafood. Slush ice consists of a container of ice and water in which the fish are immersed until the temperature is reduced to 32 degrees F or slightly lower.

A CSW system uses an air pump and grid to agitate the slush ice mixture for quicker chilling. Chilling is much faster and more uniform. Liquid chilling systems can be set up anywhere and do not require expensive equipment, but do require a source of ice.

A simple slush ice system can be prepared using a fish tote, water, and ice. Enough ice should be added to get the temperature to 32 degrees F and maintain that temperature during the chilling process. Fish should be added a few at a time to prevent crushing. Chilling will occur rapidly, usually within 30 minutes, depending on the size and volume of fish. Internal temperatures should be taken to assure the desired temperature is reached.

A disadvantage of the liquid system is that the water must be drained from the product before it is packed to prevent adding extra weight and unwanted water. Also, unless chilled water is replaced often and containers frequently sanitized, liquid will introduce bacteria into body cavity of cut fish, accelerating spoilage.

None of these systems is capable of commercial quality freezing. Only high capacity blast or plate freezers should be used for seafood products intended for sale. Home freezers and walk-in coolers are made only to maintain in a frozen state products which already have been frozen. Their freezing capacity is very low, and even within that capacity the rate of freezing is so slow that ice crystals form within the tissue cells, causing mushy texture and drip loss on thawing.

Appendix E

Converting Yen per Kilogram to Dollars per Pound

In most markets outside the U.S., seafood prices are expressed in units of the local currency, per kilogram. In Japan, for example, prices are expressed as yen per kilogram. In some cases, however, it may be desirable to convert prices to dollars per pound.

A kilogram is comprised of one thousand grams and is equal to approximately 2.2 pounds. And a pound is about .45 kg. To convert a price expressed in units per kilogram to pounds, take the kilogram price and multiply by .45.

Example:

Frozen salmon is quoted at 600Y/kg. To get the price in Y per pound, multiply by .45 ($600 \times .45 = 270$ Y/lb.). As of this writing, the exchange rate is currently about 100 yen per dollar, so to convert to dollars, divide by 100. 270 divided by $100 = 2.70$. So 600 Y/kg. = \$2.70/lb.

To convert dollars to yen, multiply by 100 (or whatever the current exchange rate is). To convert pounds to kilograms, multiply by 2.2. For example, \$5/lb. = 1100 Y/kg.

Appendix F

Alaska Seafood Marketing Institute

Recommended Statewide Premium Quality Specifications For Alaska Fresh and Frozen Pacific Salmon

Part I: Description

Section 1: Product Definition.

Alaska Fresh or Frozen Pacific Salmon is the food prepared from only the species of salmon listed in Section 2; these species may be sold fresh or frozen, and shall be reasonably protected from oxidation and/or dehydration.

Section 2: Species

The species which can be designated Alaska Pacific Salmon are:

Species	Common or Usual Name(s)
<i>Oncorhynchus tshawtscha</i>	Chinook, King
<i>Oncorhynchus nerka</i>	Red, Sockeye
<i>Oncorhynchus kisutch</i>	Coho, Cohoe, Silver
<i>Oncorhynchus gorbuscha</i>	Pink
<i>Oncorhynchus keta</i>	Chum, Keta

Section 3: Styles of Preparation

- A. **Dressed, Head-off:** The belly of the salmon is split from the anus to approximately one inch before the throat (isthmus of the nape); the split may also continue through the throat. The viscera and kidney (backblood) are removed leaving the cavity practically free of blood and pieces of membrane. The head is removed leaving the nape cut free of gill. The salmon shall then be rinsed in chlorinated water.
- B. **Dressed Head-on:** The belly of the salmon is split from the anus to approximately one inch before the throat (isthmus of the nape); the split may also continue through the throat. The viscera and kidney (backblood) are removed leaving the cavity practically free of blood and pieces of membrane. The gills may be removed; the head and gill cover remain intact. The salmon shall then be rinsed in chlorinated water.
- C. **Whole (Round) Fish:** The salmon shall be rinsed in chlorinated water.
- D. **Other:** As defined by a buyer/seller relationship. This category may include a variety of styles and cleaning/processing techniques depending upon the form in which the product is marketed.

Part II: Quality Workmanship Grading Criteria

Section 1: Grade Categories

A. Salmon are categorized in the following quality grades:

No. 1—Premium

No. 2—Standard

No. 3—Utility

Reject—Fish in this category are regarded as unfit for human consumption.

Section 2: Grade Characteristics

A. All salmon (while fresh) should exhibit the following characteristics prior to processing in order to be categorized as No. 1:

1. **Eyes** should be normal in appearance.
2. **Gills** should be normal in appearance and should smell sea-fresh (practically odorless).
3. **Skin** should be shiny and wrinkles should not remain when fish is bent slightly. Methods of catch may mark the skin.
4. **Skin color** should be characteristic of fresh fish that is typical of the species, stage of sexual maturity, district from which it was taken, and time of the year it was caught.
5. **Viscera and eggs** should be of acceptable color, intact, and smell sea-fresh (practically odorless).
6. **Interior walls of the belly cavity** may have minimal appearance of tissue breakdown due to enzymatic action or careless handling. Slight breaks (less than one inch) or slight reddening (blushing) of the flesh are permitted in the No. 1 grade.
7. **Flesh** should be resilient when subjected to finger pressure.
8. **Flesh color** should be characteristic of a fresh fish that is typical of the species, district from which it was taken and the time of year it was caught.
9. **Physical shape** should be characteristic of the species at its stage of sexual maturity.
10. **Scale adherence** should be reasonably uniform. Some scale loss due to method of catch and handling procedures is to be expected.
11. **Odor** should be sea-fresh (almost no odor) and characteristic of the species. There should be no odor indicating decomposition or contamination.

B. Any, or a combination of the following defects are cause to downgrade a fresh salmon from the No. 1 grade, depending upon severity:

1. Readily detectable unhealed wounds which have caused flesh damage.
2. Readily detectable bruises.
3. Softness of the flesh and/or three or more rib bones totally pulled away from the flesh will downgrade to a No. 2. If most of the rib bones have pulled away from the belly wall and the flesh is quite soft, the fish shall be downgraded to a No. 3.
4. Noncharacteristic odors.

5. Defects caused by poor workmanship. Examples of such defects are:

- gills left attached to the nape,
- viscera, heart or free blood remaining in the belly cavity,
- kidney (backblood) remaining,
- severe knife cuts,
- membrane scraped away from flesh in body cavity to a degree that indicates soft flesh.

6. Belly burned fish.

Belly burn is the softening and discoloration of the interior belly wall caused by enzymatic activity in the body cavity, which may occur between the time the fish dies and when the viscera is removed.

C. Any, or a combination of the following defects are cause to downgrade a frozen salmon from the No. 1 grade, depending upon the severity:

1. **Improper handling:** A salmon which has been frozen in a misshapen or severely deformed position or one which has lost more than 75% of the caudal fin. This does not apply to minor changes in the symmetry which may occur during freezing.
2. **Natural defects and improper workmanship:** Any of the defects listed in the fresh fish grading criteria (scars/wounds, careless cuts) which are determined, upon nondestructive examination, to exist in frozen fish.
3. **Dehydration/freezer burn:** A fish which has readily discernable dehydration present on the nape and/ or in the belly cavity (unless adequately trimmed).
4. **Scale loss:** A salmon exhibiting over 25% scale loss, if other defective conditions are apparent.

Part III: Color

Skin color is independent of quality grades and the grading criteria listed above. Refer to ASMI Color Evaluation Guide for Fresh Alaska Pacific Salmon where applicable.

Part IV. Methodology

Section 1: A Method for Determining the Net Weight of Frozen, Glazed, Dressed or Round Pacific Salmon

Follow the A.O.A.C. 14th Edition (1984) Section 18.001, with one modification: The official method calls for use of a 12 inch diameter No. 8 sieve to hold the product. Salmon will not fit in this size sieve, therefore, a piece of stainless steel mesh cloth should be substituted. The cloth should have a mesh size of 1/2" to allow for uniform draining. Provide a tared weight pan large enough to hold the sample.

- A. **Procedure:** Remove the glazed fish to be tested from the cold storage. Weigh and determine gross weight. Place the fish under a gentle cold water spray or place the fish in a container of water 40-70° F until all ice glaze is removed. Remove the fish when all ice glaze is absent. Place the fish on a stainless steel screen with 2" mesh. The screen should be inclined at an angle of 10 to 20° to facilitate drainage. Drain exactly 2 minutes. Immediately transfer product to tared pan (T) and weigh (W). Net weight of product = $W - T$. Subtract net weight of product from gross weight of sample to determine weight of glaze. Percent glaze is weight of glaze divided by gross weight of sample x 100.

Appendix G

The Wonderful World of Eggs Inside the Roe Business

Reprinted from "Currents," a Salmon Market Information Service publication; a service provided by ASMI.

It wasn't that long ago that Alaska processors used to flush salmon eggs out with the gurry. Since the 1960s, though, as Japan's economy has boomed, so has the demand for higher-priced seafood such as salmon roe. As a result, today these ruby-red eggs are a big part of the Alaska salmon business. Alaska processors now sell more than \$100 million of salmon roe a year -- about 10% of the value of Alaska's salmon sales and 16% of the value of U.S. salmon exports to Japan.

The roe business doesn't get much attention compared to frozen and canned salmon, but it has a significant impact on the price Alaska fishermen get for their salmon -- especially with lower-value species such as chum. We'll take an in-depth look at the roe business and try to answer two questions fishermen often ask: "What's the roe worth?" and, "How does it affect the price I get for my salmon?" And, we'll tell you about changes in the roe business that could increase the value of Alaska salmon roe production -- and, hopefully, the amount of money you get paid for your fish.

A Yen for Eggs

The Japanese, of course, have a huge appetite for fish eggs of all colors and textures. Pollock roe, herring roe, sea urchin, salmon roe, rock sole roe, flying fish roe, captain roe, cod roe, salmon roe, trout roe, the Japanese market consumes a rainbow of roes -- more than 100,000 tons a year. In terms of volume, salmon roe is one of the largest, with Japanese consumption averaging about 18,000 tons a year -- 40% of which comes from Alaska. So it's no surprise that Japanese demand drives the market for salmon roe.

Japan has two distinct markets for salmon roe -- the *ikura* market and the *sujiko* market. About 40% of the salmon roe consumed in Japan is *ikura* -- individual salmon eggs -- and about 60% is *sujiko* -- salmon eggs sold in whole skeins. Worth about twice as much as *sujiko*, *ikura* is consumed in sushi bars wrapped in *nori* (dried seaweed) and at home, sprinkled raw on steamed rice. In places like Hokkaido, where it is still a cherished delicacy, some *ikura* is actually sold by the egg instead of by the gram!

Ikura is made almost exclusively from chum eggs. As always with the Japanese, tradition is a big reason why. Since chums from the rivers of northern Honshu and Hokkaido islands are the primary salmon native to Japanese waters, they are the traditional species used for *ikura* -- and tradition is hard to buck in Japan. There is also another, more practical reason chums are preferred for *ikura* -- their big eggs make them easier to pick up with chopsticks.

Processing salmon roe into *ikura* is more labor intensive than *sujiko*, thus the higher price. To make *ikura*, egg skeins are soaked in brine for a few minutes to firm the eggs up slightly. Then the eggs are manually rubbed off from the skeins through a screen into a brine, which further firms up the whole egg. The eggs are then sorted, culled (15-20% of the eggs are broken during processing) and dried at air temperature to drain the brine and complete the curing process. *Ikura* can then either be sold fresh or put in the freezer (because of the high salt content it doesn't actually freeze).

Because of the extra labor, only 30% of the Alaska chum roe exported to Japan is processed into ikura (by contrast, about 90% of Japan's chum roe is made into ikura). In some year, however, when the ikura market is exceptionally strong, it pays for Alaska processors to produce more ikura instead of sujiko. This happened in the summer of 1993, for example, when the prediction of a shortage of fall Japanese chums sent Japanese wholesale prices for top-grade ikura soaring from below \$20/lb. to more than \$50/lb.

Sujiko is Simpler

Most of the roe from Alaska salmon is processed into sujiko, which is considerably easier to produce. To make sujiko, skeins are soaked in brine and then sorted, culled for broken skeins and graded by color and size. They're then carefully packed in wooden boxes and dried for several days at air temperature. Heavy weights are placed on pallets of eggs to compress the eggs in the boxes.

Depending upon the market conditions, some fresh Alaska sujiko may be flown over to Japan early in the season (a significant percentage of Copper River sockeye sujiko and early Bristol Bay sockeye sujiko is flown over in some years), but most Alaska sujiko is exported to Japan in freezer ships.

In Japan, sujiko is eaten both in restaurants and at home. In restaurants, sujiko is cut into bite-sized pieces and served with soy sauce and grated radish along with hot sake. At home, like ikura, it is usually served over steamed rice.

Not all Eggs are the Same

A wide variety of factors affects the value of the roe you sell to a processor -- and that, in turn, is one of the reasons why salmon prices for the same species vary in different parts of Alaska.

In general, the more mature the salmon, the higher the egg's quality (unfortunately, the trade off is that the skin color and flesh quality are often going downhill by the time the roe quality peaks). The most valuable salmon roe produced in Alaska comes from chums caught far up the Yukon River (the state's only legal "roe-only" salmon fishery). If a salmon is too mature, though, the egg shell toughens, making the eggs harder to separate from their skein and reducing their value.

For high-quality ikura, individual eggs shells must be tender and easy to chew, with uniform egg size and a transparent bright orange-red color. High-quality sujiko requires firm, unbroken skeins and full, tender eggs.

Over the course of a salmon fishery, the roe recovery (as a percentage of round fish weight) will vary greatly. Because males return to spawning areas before females, the early part of a salmon run contains a higher percentage of males (unlike females, male salmon will spawn several times before dying, which is why they return earlier). Roe recovery during the beginning of a run is low because of the high percentage of males and immature females. In the middle to latter half of the run, roe recovery peaks because the run is predominantly female and the eggs are full and ripe. Although the end of the run is mostly female, roe value drops off as a higher percentage of the eggs have begun to harden.

The variation in roe quality -- and value -- is very important, since it helps determine how much money a processor will get from each fish, which dictates how much he can afford to pay you for your fish. The value of the roe from the same species of salmon can vary considerably from fishery to fishery. (See box: Alaska Salmon Roe Prices, 1992) In some interception fisheries, such as False Pass or off the north end of Kodiak Island, where the roe value is relatively low, a processor would get less money from the roe in each fish than if the fishery was located nearer a terminal where the roe value would be much higher. While it's not the only factor, of course (flesh quality and production costs are more important), roe is still a significant part of the formula in determining how much your salmon is worth.

ALASKA SALMON ROE PRICES, 1992

	SOCKEYE	PINK	CHUM
Ketchikan	\$4.11/lb.	\$1.65/lb.	\$3.76/lb.
Juneau	\$5.44/lb.	\$1.32/lb.	\$9.00/lb.
Petersburg/Wrangell	\$5.88/lb.	\$3.64/lb.	\$8.95/lb.
Cook Inlet	\$5.63/lb.	\$3.26/lb.	\$6.23/lb.
Kodiak Island	\$6.01/lb.	\$3.14/lb.	\$5.33/lb.
Alaska Peninsula	\$7.68/lb.	\$4.70/lb.	\$5.62/lb.
Bristol Bay	\$5.64/lb.	\$2.74/lb.	\$5.34/lb.

Source: Alaska Department of Fish and Game, Commercial Operator's Annual Reports. Average price is the total wholesale value divided by the total weight of all the salmon roe production reported by processors, including sales of unprocessed as well as processed roe.

Salmon eggs are more fragile than salmon flesh. The quality of roe from a salmon that has been out of water six hours is dramatically higher than roe from a fish that has been out of water 12 hours. For that reason, long-distance tendering of salmon -- such as shipping sockeyes from Bristol Bay to Kodiak or pinks from Southeast to Prince William Sound -- reduces egg value to almost nothing. Freezing raw or "green" eggs, though, is quite acceptable -- as long as eggs are in good condition. Japan produces about 250 tons of sujiko per year from Bristol Bay sockeye that are frozen in the round, for example.

Roe is More Rewarding

Compared to flogging the fish itself, selling salmon eggs is a piece of cake. With the exception of the brief spike -- and subsequent collapse -- of ikura prices in 1993, the Japanese salmon roe market has been relatively stable -- a seller's dream, compared to the volatile salmon market.

"Nobody complains about eggs. With eggs you can almost always make a profit. Fish, though, can go either way," explains a Japanese importer.

For that reason, Japanese buyers are a lot more interested in buying salmon eggs than in buying salmon. "You can always find somebody to sell you fish," says the importer, "but most egg production is committed a long time before the season starts." Over the years, to get the eggs Japanese importers have been willing to loan processors the money to buy (or in some cases even give outright) freezers and other processing equipment.

Because processing and grading salmon roe for the Japanese market is more complicated than it is for frozen or canned salmon, it's a rare Alaska processor who's brave enough to process and market salmon roe on his own. Instead most processors make arrangements to sell their roe with Japanese importers well in advance of the season.

In return, Japanese importers provide roe technicians, a profession where skilled workers are increasingly in short supply. "Nowadays, you have to start lining up your roe partners in November or December to make sure you get technicians," says an importer. "If you wait until February, it's too late."

The advance commitments also tend to foster a more stable processor-importer relationship with eggs than for fish. "With frozen sockeye, we give them an offer price and they have to take it or leave it," says an Alaska processor. "But with sujiko, there's no way for us to control the price, because we have to bring their technicians." Adds another processor, "You tend to stay with the people you've worked with unless they've messed up."

The deals processors cut for their eggs vary greatly. In some cases, importers assume ownership of the "green" (unprocessed) roe as soon as it comes out of the fish, paying the processor an agreed-upon amount for the eggs, based upon a rough grading. Other processors have joint venture contracts with importers in which they're paid a minimum agreed-upon price and percentage of the profits, which are determined after the roe is sold by the importer in Japan. And in a few cases, processors hire their own technicians and process roe themselves, although their customers will normally send someone over to monitor the processing operations.

This publication was produced by the Department of Commerce and Economic Development as required by AS 44.33.020(18). The document was printed in Anchorage, Alaska at a cost of \$2.75 per copy. Printing costs were paid by the Alaska Seafood Marketing Institute so that this manual could be made available to Alaska fishermen at no cost.